12-page special Budget section inside

THE INDEPENDENT

No 3,339 THURSDAY 3 JULY 1997 WEATHER: Scattered showers (45p) 40p

Drink	Mortgages	Pensions	Motoring	Domestic fuel	Work	Public spending
Packet of 20 cigarettes to rise by 19p from December. From January 1998 a bottle of spirits to go up by 19p, pint of beer by 1p, bottle of wine by 4p. **Page 12**	Mortgage tax relief cut from 15% to 10% from April 1998. Stamp Duty rises to 1.5% on house sales above £250,000 and to 2% for sales over £500,000. **Page 13**	Tax credits for pension funds abolished. Mainstream corporation tax cut from 33% to 31%, and smaller firms' corporation tax falls from 23% to 21%. **Page 15**	Motorists will pay an immediate 4p a litre extra for petrol, and face a inflation-rate rise on the current £145 annual car tax disc from November. **Page 12**	Household gas bills to fall by £90 a year through a cut in VAT on domestic fuel from 8% to 5%, and the abolition of the gas levy. **Page 12**	£5bn for the Welfare to Work scheme and school building, to be paid by windfall tax. Help for lone parents with a national childcare strategy. **Pages 11,17**	The public sector borrowing requirement (PSBR) is forecast to be £13.25bn in 1997/98 and reduced to just £5.5bn in the following year. **Page 16**

He said it, he meant it

Anthony Bevins
Political Editor
and Diane Coyle
Economics Editor

Gordon Brown yesterday delighted Labour and depressed the Tories with the promise of an extra £3.5bn for schools and health spending in "a people's Budget for Britain's future".

Keeping firmly to his pre-election promises, he set his sights on stability, investment, employment, and opportunity. The Chancellor of the Exchequer told a crowded House of Commons that his first Budget advanced the long-term interests of the many, rather than the short-term interests of the few.

The Budget package included a £5.2bn windfall tax to fund a welfare-to-work programme for the long-term unemployed, a cut in Value-Added Tax on domestic fuel and power bills from 8 per cent to 5 per cent, and an unexpected cut of two percentage points, backdated, in the main rate of corporation tax, to 31 per cent, which Mr Brown declared the "lowest ever rate in the UK."

But he disappointed a majority in the financial markets because he did not increase taxes on consumers as heavily as they had hoped and his Budget opened the door to further increases in interest rates – perhaps by as much as 1.5 percentage points to 8 per cent – leaving the short-term management of the economy to the Bank of England.

The biggest surprise in Mr Brown's new Budget box was the additional money for education and health, delivered by advancing the distribution of surplus reserves inherited from the Tory government.

That dividend is usually divided up in November, and the surprise, delight and relief of Labour ministers and MPs was genuine when Mr Brown concluded his Commons statement with a 1998-99 allocation from the reserve of an extra £1.2bn for the NHS and £1bn for schools.

Mr Brown then topped up that bonus with a further £1.3bn for a five-year school modernisation programme, to be financed by surplus funds from the windfall tax that is to be levied on privatised utilities, including the gas, water and electricity companies, British Telecom, Railtrack and the British Airports Authority – but not British Airways.

While the Budget imposed additional taxes on tobacco and petrol, 10 million homeowners will have to find an extra £10 a month from April next year when mortgage interest tax relief is cut from 15 per cent to 10 per cent. Mr Brown also raised stamp duty in two bands on sales above £250,000 and £500,000, which will hit whoever buys Tony Blair's £615,000 Islington home.

Some economists praised the Budget for taking a genuinely long-term approach to tax and spending policy. "The Chancellor is saying, 'I've bought a dog so I don't need to bark myself any more'," said Kevin Gardiner, UK economist at City investment bank Morgan Stanley.

A Bank of England spokesman said the fact that there had been some toughening of fiscal policy certainly helped ease the policy dilemma. Even so, the pound jumped by more than 3 pfennigs to nearly DM2.94, with many economists warning that base rates would now have to climb towards 8 per cent.

Although the Budget did raise taxes, the Chancellor was seen by many experts as having missed an opportunity to rebalance the economy. The Treasury's greatly reduced forecasts for government borrowing were mainly due to booming economic growth automatically boosting the tax take rather than the measures announced by Mr Brown.

In addition, most of the burden of his tax increases – £6bn this year and nearly £7bn next, including the windfall tax – will fall mainly on business.

Ian Peters, deputy director-general of the British Chambers of Commerce, said: "Our worry is that with limited measures to rein in consumer spending, interest rates will have to rise and sterling continue to rise, further damaging prospects for manufacturers and exporters."

The abolition of the tax credit for pension schemes, raising nearly £4bn next year, will be only partly offset by a £1.4bn reduction in corporation tax. The National Association of Pension Funds said employers would have to find an extra £50bn over the next 10 years to make up the resulting shortfall in pension contributions.

"Business faces a triple whammy of higher taxes, higher interest rates and a stronger pound," said Douglas McWilliams, director of the Centre for Economics and Business Research. The experts were also underwhelmed by the extra £3.5bn the Chancellor found for health and education. It is the normal course for the reserve set aside for each future year to be allocated to the most urgent priorities as that year approaches.

William Hague, the new Tory leader, said it was a tax-raising Budget, in which the Government broke its election promises. "Anyone with a pension, anyone with an insurance policy, anyone who is working hard to build up a nest-egg for the future, will be hit by the windfall tax," he said. Earlier, the Opposition leader had joined his shadow Chancellor, Peter Lilley, in demanding an investigation into Budget leaks – scornfully dismissed by Tony Blair

In his reply to the Budget statement, Paddy Ashdown attacked Mr Hague's "brass neck" for criticising somebody else for raising taxes. The Liberal Democrat leader greeted Mr Brown's decision to provide extra cash for education and health, saying: "Perhaps the most welcome thing is the abandonment of the departmental spending limits and ceilings for expenditure over next year, if not this."

The Liberal Democrats warned that they would vote against the Budget because the extra cash would be eroded by inflation – and there was nothing set aside to deal with this year's spending crisis.

Young maestro shines on début

David Aaronovitch

At last! The time had come for the great recital and the young maestro was ready. He had tamed his normally tousled locks (was there a hint of investment in some coconut-based hair lacquer?), put creases in his trousers, selected his tie very carefully indeed, and – armed with his score, bound together with a large bulldog clip – entered the chamber, to the sound of applause.

A little frisson of excitement danced among the Labour women, as they gazed upon the romantic features (*ses yeux! ses levres!*) and the muscular limbs (*quelles jambes! quelles cuisses!*) of their hero. All this and Colin Firth as well! But it was an admiration tinged with nervousness. This was the first time that the concerto had been heard in public. No one had any idea whether it was any good, nor how well it could be played. Silence descended upon the House.

It was a work in four movements. With steady, but economical chordwork the maestro – his music propped on top of three large, green books – played the first section ("Stability") *al prudente*. In a succession of single, melancholy bass notes, fiscal policy was tightened, golden rules of public finance reiterated, and the Modern Route to Economic Success underlined.

But if this created a suitably sombre mood, the second movement ("And Who Shall Suffer?"), with its threatening use of the pedals, told of windfalls subjected to new imposts, of frivolities (such as cigarettes and driving motor vehicles) taxed more heavily and of national debts repaid in a big way.

By now the audience was impressed by the sheer scale of the work, but depressed by its familiar structure and tone. This was a depression that began to lift, however, as the maestro tossed his head back and commenced the third and most innovative part of the piece, "In Place of Welfare There Shall Be Work".

Here the left hand – playing the optimistic lighter notes – was complemented by the right, heavily plunking at the bass keys; good things would be provided, but idleness was no longer a choice. One interesting variation on an old musical theme was that youngsters could be used to insulate old folk's houses; young lags for old. Those who remembered the war hummed along.

Then came the moment that most of the audience had hoped for: the emotional uptempo fourth movement, "Let there Be Dosh". This section consisted of one grand sequence, repeated *generoso* three times. Each sequence began with a series of low notes (the problem), broke out into an upbeat and faster period of melody (the solution), and finally swelled to a climax full of promise (an extra billion on health, on education, on school buildings).

Now tears shone on old ladies' cheeks as – with acclaim ringing in his ears the maestro smiled, bowed and sat down, leaving amazement that such music should have issued from such an instrument. After that, with the last notes dying away, a little bald bloke came on stage and bad-temperedly banged a tambourine for a minute or two. But no one was much interested; they had heard the only performance that mattered.

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Read the Budget coverage in The Independent on the World Wide Web http://www.independent.co.uk

OTHER NEWS

Henman through to quarter-finals

Tim Henman ensured that there would be two Britons in the men's quarter-finals at Wimbledon for the first time since 1961 when he took 36 minutes to to wrap up victory over Richard Krajicek yesterday in a match held over from Tuesday evening. The Number 14 seed took the fourth set to win 7-6, 6-7, 7-6, 6-4.

Although the atmosphere did not quite match People's Sunday, every point was met with hysteria by a capacity Centre Court crowd as Henman (left) became the first player to beat a defending champion since Roger Taylor beat Rod Laver in 1970. Today, both Henman and Greg Rusedski play on No 1 Court, Rusedski first up against Cedric Pioline, and Henman on second against Michael Stich. In the women's quarter-finals, Russia's Anna Kournikova beat Iva Majoli of Croatia in straight sets to secure a semi-final against fellow 16-year-old Martina Hingis from Switzerland.

Sport, page 32

Licensing call over unhygienic food

The Consumers' Association has called for all food outlets to be licensed after finding that the standard of hygiene falls badly below public health guidelines.

Research carried out by the Consumers' Association, which visited cafes, kiosks and restaurants at places like Blackpool Pleasure Beach and Alton Towers found that a third of the food samples taken were below standard.

Researchers visited 13 tourist attractions round the country and bought a variety of sandwiches, ice-creams and burgers.

Sandwiches were found to be the worst offenders with a fifth containing food poisoning levels deemed to be unsatisfactory and half containing high levels of general bacteria, indicating poor hygiene practices.

Staff in half the places visited did not have their hair tied back or covered and many did not bother to wear gloves when handling the food.

Page 3

IRA 'A-team' get 35 years in jail

Six IRA bombers, described as a "terrorist A-team", were yesterday jailed for 35 years each. The gang had planned to blow up electricity sub-stations in London and the South East causing the biggest black-out since the Blitz.

A senior anti-terrorist figure said gang was made up of "some of the most dangerous people" he had ever seen in one place.

An intensive 10-day surveillance operation uncovered a highly-organised and well-funded plot to bring the capital to its knees.

Each member of the gang had up to four separate aliases, dating from up to two years before, suggesting they had been involved in preparations during the IRA ceasefire.

One detective described the operation as the most sophisticated he had ever seen.

Bombers jailed, page 4

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significant shorts

NFU launches court action over ban on British beef

The world-wide ban imposed by Brussels on Britain's beef exports was attacked in court yesterday as "a triumph of expediency over legality". The European Commission was accused of abusing its powers by imposing an illogical and indiscriminate blanket trade blockade which had destroyed jobs and businesses.

The ban was imposed 14 months ago in the wake of the latest expert advice on e possible link between bovine spongiform encephalopathy (BSE) – mad cow disease – and Creutzfeldt-Jakob disease in humans. Stuart Higgins QC, representing the National Farmers' Union, urged the European Court of Justice in Luxembourg to "scrutinise the ban calmly and logically and strike it down as unlawful". He told the judges: "The commission imposed that ban despite the fact that British beef is safe and poses no risk to humans." He said its safety was even confirmed to Euro MPs by the Agriculture Commissioner Franz Fischler, who imposed the ban.

The NFU, in court with the Government and backed by nine companies involved in the rearing, export and transport of beef and livestock, says Brussels exceeded its competence because it was not tackling a "serious hazard" to human health but responding to consumer fears, and that it acted on economic grounds, beyond the scope of its authority. The European Court's advocate-general will deliver an interim opinion later this year, followed by the final judgment of the court.

■ Fraudsters have been smuggling British beef abroad in defiance of the European Union's worldwide export ban, the European Commission has claimed. The commission yesterday condemned Britain's policing of the ban as "obviously inadequate" and said it was considering whether to take the country to court.

Scots evacuated after floods

Hundreds of people had to leave their homes yesterday after flooding brought havoc to parts of Scotland. Up to 1,000 people were affected in the Morayshire area, which was the worst hit by torrential rains that drenched the eastern half of the country. Seventy people were given breakfast at a school in Elgin and two dozen more were at a community centre in Forres, the two towns at the centre of the downpours. Police said the main A96 road link between Inverness and Aberdeen was blocked in several places by floodwater.

The flooding came with heavy rain that has drenched the area non-stop since Monday, swamping roads and spilling water into residential areas. The problem was compounded when some rivers, including the Lossie and Findhorn, burst their banks.

BA chief rules out pay talks

With a three-day strike scheduled to begin next Wednesday, there was confusion yesterday over whether British Airways was prepared to negotiate over the pay deal it has imposed on cabin crew.

BA's chief executive, Bob Ayling (left) said that there was no question of reopening the discussion over salaries, but he would agree to outside assistance in an attempt to draw up an agreement over future relationships with the Transport and General Workers' Union, the cabin crews' union. David Hyde, a BA director, said on BBC 2's *Newsnight* programme, however, that there would no contraints on what a conciliator "says or does". Meanwhile talks were continuing between management and leaders of ground staff who plan stoppages in protest at the sell-off of the airline's catering division. **Barrie Clement**

Skipper 'was not aboard' tragic ship

Defence counsel for the skipper of a square-rigger which was wrecked with the loss of three lives on the north Cornwall coast two years ago told a manslaughter trial yesterday that he wanted to "lay a ghost" which hovered over the case.

The skipper of the 137-year-old *Maria Asumpta*, Mark Litchfield, 56, of Boxley, Kent, has pleaded not guilty to three manslaughter charges arising out of the loss of the vessel near Padstow in 1995. Defence counsel Alun Jones QC told the jury at Exeter Crown Court that they may have seen publicity saying Mr Litchfield had had an interest in a ship called *The Marques*, which was lostoff Bermuda in 1984 with the loss of 19 lives. But he was not on board and had never been accused of any criminal offence over its loss.

Backing the big Blue

A campaign was launched yesterday to restore the lost habitats of the Large Blue, Britain's biggest and most spectacular blue butterfly. The project is backed by the chemical giant ICI and a consortium of top conservation groups.

The Large Blue's lifestyle relies totally on red ants and it has always been rare. Because of modern farming methods, the Large Blue became extinct in 1979. By 1995 it had been reintroduced to five small sites, with encouraging results. Now a second phase aims to restore the butterfly to 10-15 sites.

people

Rupert Everett and Julia Roberts arriving for the première of *My Best Friend's Wedding*

Actor confesses to real-life role as gay prostitute

British ector Rupert Everett has spoken to an American magazine about his time as a male prostitute.

The admission by the 38-year-old actor comes at a a curious moment, as he has just received rave reviews for his latest film *My Best Friend's Wedding*, in which he plays e gay male confidant to Julia Roberts.

One London film agent said yesterday that Everett was "extremely hot" in Hollywood at the moment, and was much in demand for future film work.

How American audiences will take to his unexpected revelations about his youth remains to be seen.

"I didn't set out to hustle," he told the American magazine *Us*, "but this guy offered me such a massive amount of money, well, it was like a year and a half's pocket money, and it just came in really handy."

He denied that prostitution was a rebellion against a privileged background. Everett is the Ampleforth educated son of a stockbroker. "Like a lot of upper-class people, I was given no money," he said, adding that once he "got the hang of it" he had "all sorts of clients".

In the interview Everett also scoffed at suggestions that the model and actress Elizabeth Hurley might have abandoned Hugh Grant after the Divine Brown incident. "Oh please," he said. "She's like a boomerang, darling, she's always going to come back."

Everett has long been something of an enigma in the acting profession.

After a promising stage career, he left Britain for California then Europe, bought e house in Cannes and wrote two novels *Hello Darling Are You Working?* and *The Hairdressers of St Tropez*, spoke openly about his sexuality and made a fresh start as an actor, with a self-parodying comic performance as the Prince of Wales in *The Madness of King George*.

There are already attempts to pair Everett and Julia Roberts for another film following the American success of their current venture. And a more bizarre report in both London and Hollywood is that Everett will soon star as a homosexual secret agent – "a gay James Bond" as it is being termed – an idea that he is said to have suggested himself. Asked about this, his agent at ICM refused to make any comment. **David Lister**

Benefactor in spat over Old Masters

Sir Denis Mahon, the octogenarian benefactor, is to withdraw three Old Masters from the Walker Art Gallery in Liverpool after the decision by the National Museums and Galleries on Merseyside to impose edmission charges.

The decision was a rebuff for the Government, which is reviewing museum charges, and has declared opposition to them. It is also e rebuff to Sir Denis (pictured), who left the Walker three Renaissance paintings on condition they maintained free admission. Sir Denis, 86, said he would withdraw his bequest. The paintinge will now probably go to the National Gallery of Ireland.

Richard Foster, director of the National Museume & Galleries on Merseyside, said: "The people who will auffer from this are the schoolchildren of Merseyside." The cost of a season ticket for all eight galleries on Merseyside would only be £3 a year. The season ticket (£7.50 for a family) is expected to bring the Merseyside museums £400,000 in 1997-98.

But Sir Denis said it was a matter of principle that his collection should go to museums that are free. The Heritage Secretary, Chris Smith, and Tony Blair oppose admission charges for national museums. Mr Smith had asked the National Galleries on Merseyside to defer charges until October to await a Heritage Department report on charging and the outcome of his attempts to plug the funding gap.

Mr Foster said the trustees had decided there was no alternative, after three years of diminishing government grant, but to attract income from "a moderate extension of admission charges".

The trustees said: "Mr Smith could not guarantee NMGM any compensation for loss of income and other costs. As he has recognised, the trustees have a fiduciary duty to balance the books."

The paintings being withdrawn are: Guercino's *St John The Baptist Visited In Prison By Salome*; Giordano's *Venus, Mars And The Forge Of Vulcan*; and Pier Francisco Mola'a *Landscape With St Bruno In Ecstasy*. **David Lister**

Nickell murder inquiry closed

The hunt for the killer of Rachel Nickell is being ended, nearly five years after the murder on Wimbledon Common in south-west London.

Officers are expected to terminate all existing lines of inquiry at the end of September, although the file will remain open for any new evidence.

A fresh investigation was ordered after 33-year-old Colin Stagg was acquitted of the murder of Ms Nickell at the Old Bailey in Septmber 1994.

The judge condemned the use of an undercover policewoman who had tried to extract e "honey-trap" confession after befriending him.

Deapite studying 7,000 inquiry files, 2,500 statements, and reports on more than 500 suspects, the new team has failed to find enough evidence to charge anyone.

Ms Nickell, 23, was killed in front of her then two-year-old son, Alex, who now lives with her partner André Hanscombe in France.

Both Mr Hanscombe and Ms Nickell's parents heve been told of the police decision to shut down the inquiry.

A spate of civil actions may now follow. Ms Nickell'e family are said to be conaidering suing Mr Stagg through the civil courts, while ha in turn was granted legel aid after his acquittal to aue police for malicious prosecution, and wrongful arrest. **Kim Sengupta**

briefing

HEALTH

Big rise forecast in number of allergy sufferers

More than nne in four adults will suffer from allergies in the next millennium, according to a leading lung doctor.

According to new research, the number of cases nf allergic diseases such as asthma, hay fever and eczema have increased dramatically over the last three decades and will continue to do so in the future. It is estimated by the year 2019 more than 25 per cent of British adults will suffer from a wheeze.

Dr Warren Lenney of the British Thoracic Society will tell the society's summer meeting at Loughborough University today: "It is vital that we examine what makes a person allergic and what symptoms or lifestyles can trigger allergy. The roles of environmental factors and modern living, such as indoor air pollution and diet, could be playing a key role in triggering allergy in adults." The research was based on a study of 2,510 primary school children in Aberdeen. The children were examined in 1964, and followed up 25 years later. Findings showed that the total number of allergic conditions had increased by more than a third – by an average of 7 per cent for each condition.

BIOLOGY

Why cool is crucial for penguins

How does a penguin hold its breath? It's a riddle which has perplexed scientists for some time: generally, the larger an animal, the longer it can hold its breath underwater. Yet while the best-trained humans can hold their breath for a maximum of about four minutes, during which they can dive to depths of about 100 metres, some species of penguins can stay underwater for up to 16 minutes – and dive more than 530 metres.

The answer, according to an international team of biologists, is that the penguins give themselves hypothermia so that their metabolism is slowed down, allowing them to forage underwater for longer. The method they probably use is to increase the amount of blood flowing to cold peripheral areas and reduce the flow to inactive parts of the body. The findings are reported in the science journal *Nature*. Charles Arthur

EMPLOYMENT

Fathers shoulder burden of work

Fathers work an average of four hours a week more than men without children, with most having full-time jobs and working on average more than 47 hours a week.

They are working more than double the hours of working mothers – on average more than 20 hours difference – as the gap between fathers' and mothers' employment rates have changed. According to the Office of National Statistics, fathers with dependent children are more likely to be employed than other men with 85 per cent – 5.1 million – working in 1994 and only 6 per cent economically inactive. The increase in mothers' employment has not resulted in any compensating changes in fathers' employment. **Glenda Cooper**

LIFESTYLE

Loud music taking toll on young

Up to a quarter of young Germans have damaged their hearing by listening to loud music through personal stereos and in clubs, according to new research. One in 10 of 18-year-olds may have suffered inner-ear damage so severe that it constitutes a handicap in normal conversation. Researchers in Dusseldorf examined 1,800 men aged between 18 and 24 and found some hearing loss in ebout a quarter of them and also that those with poor hearing were more likely to heve spent time listening to loud music. A separate study found that nearly 10 per cent of 16 and 18-year-olds had lost so much of their hearing that they had difficulty in understanding some normal conversation. The findings ere reported today in *New Scientist* magazine. Charles Arthur

DAILY POEM

Written at Night at an Inn in the Hills

By Huang Jing-ren (1749-1783)

The city people are different
in their troubling fantasies;
to my eyes this world and I
are a wisp in autumn sky.
Just now those thousands of homes must all
be sharing the very same dream:
above them, a white haze,
hangs low, then rises high.

All night long these mountain windows
stand open on every side,
with rivers and lakes before and behind,
where my thoughts go on and on.
So stand at the window, set torch ablaze,
hold it high,
and watch the fish and dragons come,
to drink in the light.

Stephen Owen, in his Anthology of Chinese Literature (Norton, £18.95), remarks that Huang Jing-ren "perfectly fulfilled the expectations for a certain type of Chinese poet: talented, unsuccessful, impoverished, and doomed to die at a relatively young age". To many critics, Huang remains the outstanding poet of the Qing dynasty.

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North and South tussle over fate of gospels

Treasured words: St Cuthbert's statue on the island of Lindisfarne, once home of the disputed gospels, seen on display in Newcastle last year Photographs: Stuart Outterside

Ian Burrell

The Lindisfarne Gospels are becoming to the North-east of England what the Elgin marbles represent to Greece.

The dispute over the fate of the seventh-century calf-skin manuscript has led to MPs and councillors calling for the gospels be brought "home" to the North. Yesterday, as the row threatened to escalate into an unseemly tug of war between North and South, a delegation of councillors from the North-east travelled to London to meet officials from the British Library, the custodians of the gospels who wish to keep the treasure in the capital.

The 253 pages of beautifully-illustrated manuscript were taken from Durham Cathedral by Henry VIII's commissioners during the Reformation.

Ken Morris, the managing director of Northumberland County Council, said the Millennium marked an appropriate time for their return to the North-east.

"The island of Lindisfarne, just off Northumberland, was the birthplace of English christianity," he said. "If it had not been for Lindisfarne there would be no Millennium ... we think there is a very powerful argument that says 'Let's have them back, they were ours. They were actually written here by people of Northumberland."

But Alice Probaska, director of special collections at the British Library, pointed out: "The Lindisfarne Gospels are a piece of national heritage and indeed are an important part of the international Christian heritage which over six million visitors come from all over the world to see every year."

She added: "If we were to send back to the region of origin every part of the heritage which we look after as the national library, for all of the nation to enjoy, there would soon be no collection left."

But Michael Bates, a former Conservative minister who was born in Tyneside, dismissed the concerns of the library officials.

"The British Library is extremely possessive about its collection and these pompous people should realise it's not their collection but the nation's," he said.

Interest in the gospels increased greatly last year when the Laing Art Gallery in Newcastle exhibited them for the first time in the North-east since the 16th century.

Bad cooks' tour of Britain

Survey reveals poor hygiene and dirty food at tourist attractions

Glenda Cooper
Consumer Affairs Correspondent

Not only the white-knuckle rides at tourist attractions turn your stomach – the food you eat there could leave you feeling ill, according to a new report by the Consumers' Association.

When environmental health officers and representatives of the CA's magazine *Which?* inspected restaurants, cafes and kiosks at big attractions such as Blackpool Pleasure Beach and Alton Towers, they found that only one in seven outlets passed all the hygiene criteria. And of the 65 food samples taken a third fell foul of Public Health Laboratory Service (PHLS) guidelines.

Sandwiches were by far the worst offenders – a fifth contained food poisoning reported at levels that were rated not satisfactory by the PHLS – and more than half contained high levels of other general bacteria, pointing to poor hygiene practices.

There are now around four times the number of food poisoning cases reported than 10 years ago, and last year alone an alarming 95,000 people reported poisoning after eating contaminated food. Food poisoning is often the result of poor hygiene practices that come to light only after people fall ill, and as a result the Food Safety (General Food Hygiene) Regulations were introduced two years ago.

They called on food business to implement a system of "hazard analysis" – with potential risks in every stage of food preparation identified and controlled. Many systems of hazard analysis exist, but after the *E.coli* O157 outbreak in Lanarkshire, the Pennington Group, set up by the Secretary of State for Scotland to investigate the outbreak, called on the UK to adopt one internationally recognised system.

In the two weeks of the Easter holiday this year the *Which?* team visited Alton Towers; Blackpool Pleasure Beach; Brighton Palace Pier; The British Museum; Chessington World of Adventures; Chester Zoo; Edinburgh Castle; Hampton Court Gardens; Kew Gardens; London Zoo; Madame Tussaud's; National Gallery; Tower of London

In the *Which?* survey, the researchers went to 13 tourist attractions, including Chessington World of Adventures and Edinburgh Castle. They bought cheese, chicken, egg, prawn and tuna fillings, with salad and mayonnaise if possible, soft-scoop ice creams and burgers or sausages in buns.

The test revealed specific bacteria in five of the sandwiches at levels that are not satisfactory, and that could cause food poisoning in children, the elderly and pregnant women. High levels of other bacteria were found in more than half of the sandwiches.

Only five out of 36 outlets inspected by environmental health officers met criteria for good practice. In half of the places, staff did not have their hair tied back or covered. In one in five places, staff touched food that should have been served only with tongs.

Staff wore disposable gloves in six food outlets but in four cases they might not as well have bothered. At the Ice Cream Parlour at Chessington World of Adventures, a food handler wore a glove on one hand only – the hand not touching the food. And in 11 per cent of cases, there was no soap in the toilets situated in or nearest the cafe. This meant that customers – and in some cases staff – would not have been able to wash their hands before handling food.

"Food hygiene standards at tourist attractions need to be vastly improved," said Helen Parker, editor of *Which?*. "Many staff appear to have a poor understanding of basic hygiene and need better training and supervision – we found one girl wearing five rings, all with stones which harbour dirt ... We want to see all food outlets licensed and funding for enforcing food safety laws should be ring-fenced."

What the inspectors found in the sandwiches

A tuna sandwich containing the most common strain of listeria, *Listeria monocytogenes*, was bought from the Castle Restaurant at Edinburgh Castle. As a result, the castle has changed its sandwich supplier.
Castle Restaurant, Edinburgh Castle

An egg sandwich which was also found to contain *L. monocytogenes* was bought from the Beach Cafeteria and Bar at Blackpool Pleasure Beach. The Pleasure Beach is revising its staff training programme.

Also at Blackpool Pleasure Beach, a food preparer at The Frying Dutchman handled raw and cooked foods without washing his hands. The BPB said this contravened their standard practice.

E. coli (not the virulent 0157 strain responsible for recent deaths in Lanarkshire) was found in a chicken baguette bought from a stall at Brighton Palace Pier. The landlord has called in the local environmental health department.

"Sandwiches were freshly made but placed on a dirty cloth on top of the food counter. Other dirty cloths were also lying around."
Baguette stall, Brighton Palace Pier

E. coli (again not 0157) and *Staphylococcus aureus* (the main bacteria arising from human contamination of food) was found in an egg sandwich bought at Bagshaw's Family Restaurant in Alton Towers.

A ham baguette containing *Staph. aureus* was bought at the Corner Coffee Shop, Alton Towers. The theme park is carrying out daily hygiene inspections of all its outlets and testing food samples for bacteria.

How reptilian Tyson really put the bite on Holyfield

Charles Arthur
Science Editor

Jaws: Tyson gets his teeth into the champion, and the ensuing damage

Mike Tyson's jaws came together on Evander Holyfield's right ear with a force like a 20-kg weight falling on to it – twice as great as people normally exert when they bite.

And the jaw action of the former champion on Saturday night was less like a human than a reptile: "He was shearing and tearing, which is almost alligator-like", said Tom Korioth, a scientist who specialises in the biomechanics of biting. Usually when we bite with our incisors, or front teeth, the downward bite is matched by a slight bending of the jaw, creating a slight sideways tearing force. But Tyson's chomping motion had an excessive tearing action, making it remarkably violent.

Holyfield needed plastic surgery to replace a piece of cartilage torn from his ear by Tyson, who was disqualified after he bit his opponent's other ear. His prize money was withheld and he has been suspended pending more hearings.

Professor Korioth, of the University of Minnesota's School of Dentistry, Minneapolis, has studied of the way the jaw works and the forces involved. After watching a video of the Tyson-Holyfield fight he said: "Most of the ear is cartilage, and you need a lot of power to bite through it."

According to *New Scientist* magazine, tests by Prof Korioth on volunteers asked to bite on pressure pads for five seconds showed that normally the incisors exert a force equivalent to a 10-kg weight. He estimated that the force needed to sever a piece of the ear's cartilage would be roughly twice as great. The volunteers, though, were not behind on points at the start of the third round against an opponent who had previously beaten them for the world championship. However, even Tyson might find a worrying opponent in a human tested in 1985, whose teeth came together with a force like a 170-kg weight. If he is banned from boxing he should think a while before taking up alligator-wrestling (and ear-biting). The reptiles' jaws can exert a force equivalent to a weight of between 650 and 1,400kg – more than 300 times greater than what he managed.

IRA team who planned terror blitz on capital given 35 years

Judge condemns 'most dangerous' men

Michael Streeter and Steve Boggan

Six IRA bombers who planned to bring chaos to London and the South-east by blowing up vital electricity sub-stations were yesterday given jail sentences of 35 years each.

The men – described by the security services as a terrorist "A-team" – intended to cause the biggest blackout since the Blitz but were thwarted by a sophisticated undercover operation mounted by police and MI5 officers.

A jury at the Old Bailey took 12 hours and four minutes to convict Donald Gannon, 34; John Crawley, 39; Gerard Hanratty, 38; Robert Morrow, 37; Patrick Martin, 35; and Francis Rafferty, 45; of conspiracy to cause explosions. Two others, Clive Brampton, 36, and Martin Murphy, 36, were cleared.

The security forces were jubilant last night at breaking up an IRA gang which, in the words of one senior anti-terrorist figure, contained some of "the most dangerous people" he had ever seen in one place.

Sentencing the gang, Mr Justice Scott Baker said: "Those who seek to advance a political argument by terrorism can expect no mercy in the courts of this land.

"You set out to destabilise the community by wrecking the electricity supplies to the South-east of England. You were reckless as to the number of people who might be killed or maimed as a consequence of your planned bombings."

Members of the IRA cell were seen last July "casing-out" power stations at Amersham, Elstree, Waltham Cross, Canterbury, Weybridge, and Rayleigh. A joint operation by police, Special Branch, Criminal Intelligence, MI5 and the Anti-Terrorist Branch carried out 10 days of intensive surveillance, including electronic eavesdropping, and uncovered a highly-organised, well-funded and potentially lethal IRA plan to bring the capital to its knees.

> 'The boxes in the terrorist workshop were a chilling sight'

When detectives raided the home of one of the gang in Peckham, south London, they found the basement packed with 37 wooden box devices – six for each sub-station and one prototype – ticking and being charged up from the mains.

No explosives were ever found but the jury rejected the gang's defence that they intended to use the devices to hoax the National Grid into closing down voluntarily.

Commander John Grieve, head of the Anti-Terrorist Branch at Scotland Yard, said the boxes in the terrorists "workshop" had been a "chilling and sinister" sight. "It reminded me of a row of coffins," he said.

The discovery of the plot last year was seen as having considerable implications. Although the team became active in early June last year and was under surveillance only from 5 July to 15 July, the vast array of false identity papers – each member had up to four aliases each – dated from up to two years before and suggested they had been involved in preparations during the IRA ceasefire.

Detectives were struck by the sheer scale of the operation, described by Commander Grieve as the most "sophisticated" he had ever seen.

The team carried out detailed reconnaissance of the sites and had maps of the National Grid. Gannon was spotted at Battersea public library taking notes from the Electricity Supply Handbook.

The gang was split into teams with an engineer/driver combination; Hanratty and Crawley to target Amersham and Elstree; Rafferty and Morrow on Rayleigh and Waltham Cross; and Gannon and Martin on Canterbury and Weybridge.

The devices – known as time and power units – were wooden boxes measuring 16in by 6in by 6in, containing a 6v battery, a switch, bulb and central heating timer giving the terrorists 100 hours leeway.

Detectives were frustrated they never found any of the explosives intended for the attack despite searching 7,000 lock up garages. They believe the Semtex was probably kept in a remote dump.

As an unexpected bonus, during the search of the garages, detectives found more than £1m worth of stolen goods. Security forces have refused to reveal whether the terrorists planned future attacks, but it is widely assumed that such a high-level group in the IRA command structure would have been lined up for further projects.

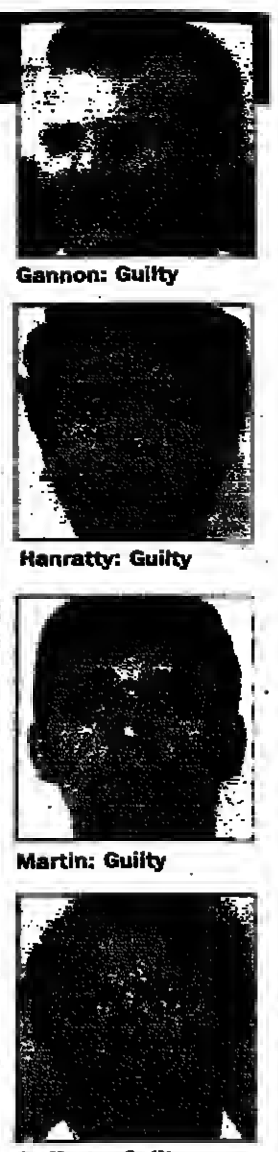
If the plot had succeeded, the disruption would have been huge. The apparent plan was to strike early on Monday 22 July. As commuters headed for the capital, traffic lights would have failed, causing almost certain gridlock.

Police believe loss of life was inevitable, while the cost to businesses could have run into tens of millions of pounds.

After the case ended yesterday Mr Murphy was detained and questioned under the Prevention of Terrorism Act.

The plot that could have left London gridlocked

The accused, two of whom were acquitted, pictured in the dock at the Old Bailey, (left) some of the explosives uncovered by police and a map pinpointing the targets in London and the South-east



Gannon: Guilty

Hanratty: Guilty

Martin: Guilty

Rafferty: Guilty

Death threat increases tensions over Drumcree march

David McKittrick
Ireland correspondent

A death threat from a small but ruthless loyalist group has added an extra dimension of anxiety to a Northern Ireland already gripped by fears that widespread disorder could follow Sunday's Drumcree march.

With no sign of agreement visible between Portadown Orangemen who insist they should march and local Catholic residents who insist they should not, any action the authorities take seems destined to enrage either loyalists or republicans.

Yesterday's threat came from the Loyalist Volunteer Force, a breakaway group associated with the notorious loyalist gunman "King Rat," which is centred in Portadown and district.

It could hardly have been blunter: "If the Orange parade does not go down the Garvaghy Road on Sunday, the Irish government may expect civilians to be killed in the Irish Republic. This threat will be carried out immediately if the parade is banned."

The threat came as no surprise to the security forces, who for some time have been aware that the LVF, having played an important part in last year's disorder, was planning to do the same again. Last month the government declared the group illegal.

Although the LVF threat was confined to the Republic, many expect that if a crisis develops its members will also engage in violence within Northern Ireland. The Orange Order has its own plans for protests and roadblocks, but these are said to be non-violent.

Ulster Unionist MP Ken Maginnis criticised the Irish government, whose ministers had this week told the British government that it would be folly to force the parade through.

The new Taoiseach, Bertie Ahern, said: "Nobody wants to see the march forced through as it was last year. Nobody wants to see people reined in as they were last year."

Mr Maginnis declared: "These utterances have been more than unhelpful in so far as they imply a threat against the Unionist tradition."

Catholic women have set up a "justice" camp in Portadown in an attempt to persuade the British government not to allow the march.

The camp will stay open 24 hours a day until the parade takes place. More than ten tents have been erected on the Garvaghy Road site.

As a result of anticipated disturbances, thousands have arranged their holidays to coincide with Drumcree and will not be around when the crunch comes.

In the atmosphere of impending crisis, many who remain are stocking up with food and other provisions.

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Couple 'heard arguing' on day of murder

A former model accused of stabbing her fiancé to death had been heard arguing with him on the day of the murder, a court was told yesterday.

Shirley Peters, who lived in the flat directly above the home of Tracie Andrews and Lee Harvey, at The Becks in Alvechurch, Worcestershire, told Birmingham Crown Court that she would sometimes hear them arguing, and on occasions these argumeots would last all day "on and off".

Mrs Peters said that on 1 December last year – the day of the killing – her mother had called round for lunch at 1pm. She said she could bear "raised voices" and after listening to the couple argue throughout lunch she left her flat to go for a walk.

Ms Andrews, 28, denies murdering Mr Harvey on 1 December last year.

Earlier, a police officer told how he and a colleague were called to the couple's home by Ms Andrews to break up a row she was having with Mr Harvey, just five weeks before he was stabbed to death. Constable David Hind said that she was distressed when she met him at the door of her flat when the officers arrived, in response to a call, on 25 October last year.

She asked him to remove Mr Harvey from the property. "Mr Harvey was sat at a table in the lounge and be appeared to be quite calm," PC Hind said. "She was in quite a worked-up state. She was quite aggressive towards him, almost provoking him at some stages. There were verbal exchanges between the two of them."

He split the couple up, getting each into separate rooms, he said. But Ms Andrews repeatedly tried to hreak through and go to the room where Mr Harvey was. "I had to keep pulling her back io towards the lounge and sitting back down again," PC Hind told the jury.

"Obviously Miss Andrews wanted Mr Harvey to leave, and he wanted to take clothing before he did so. We eveotually managed to get Mr Harvey to leave and he went out of the door. Miss Andrews was still shouting and upset – shouting towards him, and it was rather bostile," he said.

David Crigman QC, for the prosecution, has said that Ms Andrews and Mr Harvey had stormy and turhuleot two-and-a-half year relatiooship during which Mr Harvey moved out of the flat the couple shared on numerous occasions and returned home to his parents.

The prosecution has claimed that Ms Andrews and Mr Harvey had a row on the day he died, aod that sbe attacked him, stabbing him more than 30 times, as they drove home from a Sunday night drink at a pub. Mr Crigman alleged that after stabbing Mr Harvey, she concocted an elaborate story that be was killed by a mystery motorist in a road-rage-style attack.

Under cross-examination from Ronald Thwaites QC, for the defence, PC Hind said Ms Andrews told him on 25 October that she had been seeing Mr Harvey for a while and wanted to end the relationship, but he would not accept it.

He added that Ms Andrews had told him the current problem with Mr Harvey was caused by the presence "from time to time" of the father of her daughter at ber flat.

The case continues today.

DNA to provide face-fit picture of criminals

Jason Bennetto
Crime Correspondent

Within three years, the police will be able to obtain details of a criminal's face, such as the shape of his nose and eye colour, from DNA samples, a conference was told yesterday. It was also revealed that DNA genetic "fingerprints" techniques were being used by a growing number of police forces against car thieves.

Advances in DNA testing, usually obtained from saliva, blood, semen and hair roots, will revolutionise crime-fighting, the Association Of Chief Police Officers Conference (Acpo) in Cardiff was told.

Among the developmeots is the growing amount of information forensic scientist can retrieve from DNA samples left at scenes of crimes such as rape and hurglary.

Dr Janet Thompson, chief executive of the Forensic Science Service (FSS) said: "Our scientists believe that in the next few years it may well be possible to provide a 'picture' of the suspect – everything from colour of hair, eyes and skin; shape of nose, mouth and eyes and so on."

Acpo and the FSS said that they inteoded to expand the use of DNA eventually to cover all crimes and hoped to have 5 millioo samples on the national data base by the turn of the century. Samples are now takeo from all offences involving sexual crimes, hurglaries and violence. There are 151,000 offender profiles oo the data hase and 14,500 crime themes.

Forces are also using DNA to target car criminals – there have been 130 matches between auto offences and criminals.

■ Thefts of televisions, videos and hi-fis could be wiped out in a few years' time. By the end of this year, shops should be selling the first electrical equipment equipped with PIN numbers, like those for cash machine cards. The 4-digit PIN would have to be entered via the remote control to use the television. The TV sets will cost from £200.

A European eagle owl, thought to have escaped from captivity, which has taken to visiting St Paul's Cathedral, London. Staff welcomed it, because it keeps pigeons away. It was first spotted by workers repairing masonry beneath the dome. They found droppings, then noticed a pair of eyes gazing at them from a dark recess. The owl flew off towards the bell tower, revealing a wingspan of about five feet. Clerk of the works Terry Lee said: "It's not actually been living here, but it has been in and out over the last two months. If it stops the pigeons from fouling the cathedral and its surroundings we're delighted to have it here."
Photograph: Peter Jordan/PA

Reception classes planned for toddlers

Judith Judd
Education Editor

The overwhelming majority of four-year-olds will be put into reception classes this autumn, despite criticism from a Commons select committee that the experience for many may be harmful.

Local-authority plans to replace the previous government's nursery voucher scheme reveal that most intend to admit between 90 and 100 per cent of four-year-olds to state school reception classes, according to the Pre-School Learning Alliance.

Just three months ago, the Commons Education Select Committee argued in a report that one of the most damaging results of the voucher scheme was the admission of more young four-year-olds to school. Experts say that many reception classes are not equipped to cope with such young children and may put them off school for life.

But the alliance said yesterday that it has seen around 30 plans for nursery education submitted by authorities for the next two terms and half envisage that all four-year-olds will be in school. The Government's decision to abolish vouchers, worth £1,100 a year for each four-year-old, takes effect from September. The plans - more than 60 in total - will pose problems for ministers who are committed to a partnership between local authorities, private schools and voluntary pre-schools to run services for the under-fives.

David Blunkett, the Secretary of State for Education, has to decide which he will accept. The plans are interim and will apply for the next two terms.

Before next April authorities must set up early-years forums, including representatives of the private and voluntary sectors, which will produce further plans to show how they will provide education for all four- and eventually all three-year-olds.

Margaret Lochrie, of the Pre-School Learning Alliance, said: "The Select Committee was quite clear that they were not happy about so many children getting nursery education in reception classes.

"Some reception classes will be quite good but some will be not so good. In North Tyneside, where these classes have classroom assistants, is very different from the shire counties, where four-year-olds may be in classes of 35 or 40.

"I am sure that ministers are sincere about wanting partnerships but the fact is that voluntary provision has been eroded by the changes made by authorities in school-admission arrangements."

She accepted that authorities had had only six weeks to draw up their plans and could make only limited changes to existing arrangements.

Draft government guidelines to be published tomorrow will emphasise that local authorities should not expand their reception classes by taking in four-year-olds. Guidelines will also make clear that plans will need to bring together private, voluntary and state provision in order to qualify for early-years funding. David Whitbread, head of education at the Local Government Association, said: "We would accept that in many areas there is an important role for playgroups but at the end of the day you have to provide what best meets the needs of parents and children. It isn't wrong *per se* for four-year-olds to be in reception classes provided that they are properly staffed and equipped."

Underground movement: Eco-protester Blue (left), just returned from Glastonbury, surveys the site of 'Faulty Towers'. Meanwhile, John (centre) takes a break from his tunnelling work in 'Down to Pot' (right)

Photographs: Tom Pilston

Blue, John and Whinger dig deep to keep their Wild Wood free from a holiday village

Stephen Goodwin
Heritage Correspondent

With the Glastonbury festival over, "Blue" is back in his tunnel beneath the West Wood in deepest Kent, expecting a trickle of reinforcements over the next few days to oppose the creation of an £80m holiday village.

The protest against the loss of 440 acres of woodland in the ancient Lyminge Forest is reaching a climax after years of legal manoeuvres. An eviction order has been served on the small band occupying the Rat Trap and other camps, but hopes are high that the Rank Group is about to abandon plans for the wood. West Wood lies in an officially designated Area of Outstanding Natural Beauty not far from Canterbury and is popular with walkers from well beyond the local area. Rank itself estimated the wood attracts more than 100,000 visitors a year.

But despite expressing some misgivings, John Gummer, then secretary of state for the environment, approved the development, and an appeal to the High Court was unsuccessful. The Lyminge Forest Action Group spent £60,000 on its legal battle.

Rank, through its subsidiary Oasis, has permission to build a "village" with accommodation for 3,500 guests, many of whom it is expected would be from Europe. There would be 350 waterside villas, 400 forest lodges, studio apartments, shops, restaurants, lakes, a nine-hole golf course, an indoor "water world" and parking for 4,000 cars.

The leisure group, however, wants to be assured of vacant possession before completing its purchase from the Forestry Commission at a price said to be anywhere between £4m and £14m. Enforcing the eviction order would make a considerable hole in the commission's receipts from the sale.

Tunnels have been dug at several sites and work has begun on towers, tree houses and "hanging lock-ups". Large heaps of sand, the bedrock of the wood, testify to the industry of Blue and the small band of protesters who moved in last March. A veteran of the Newbury and Fairmile roads protests, Blue, 23, had just returned from Glastonbury and was anxious to see what damage the heavy rain had done to the tunnels. "I bumped into loads of people at the festival who said they would be on their way here," he said. Sheltering under the plastic sheeting of B'stard camp, the climbers Adam and John talked of finishing a tree camp and lock-up in the nearby beeches. Another brew from the kettle on the wood fire was the immediate priority.

Camp life and the digging and building are a more constant topic of conversation than the rich fauna and flora they have pledged to "defend to the last tree". Prompted, a 30-year-old from Brighton with the self-mocking nickname of "Whinger" said he was fed up of seeing the countryside destroyed. "I like to go out walking, but I don't want to come here in 20 years and find it just some plastic bubble."

Maybe he won't have to. Blue and the Friends of Lyminge Forest, who have been providing food and building material, are optimistic that the Rank Group is having second thoughts about the village.

A similar Oasis village just opened on the borders of the Lake District has suffered costly delays and the publicity over hollowing out a much-loved forest has been embarrassing.

No one was available to comment on behalf of Oasis. If the Forest Commission do not soon act on the court order, it will lapse. A spokesman said the commission was "aware of the protesters' action" but "no decision had been taken on implementing the possession order".

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Doctors back medicinal use of cannabis

Call for legalisation meets with surprise concern from patients groups. Jeremy Laurance reports

The British Medical Association yesterday called for the legalisation of drugs derived from cannabis for medicinal use but was immediately criticised by the patients it was trying to help.

Doctors said the recreational drug, smoked illegally by millions, had a valuable role in relieving suffering in certain patients who were being denied it by an outmoded law.

Research had shown that some of the 60 psycho-active substances among the 400 chemicals contained in cannabis can reduce nausea in cancer patients having chemotherapy, and can help people with cerebral palsy, multiple sclerosis and associated conditions control their movements. Only two cannabis derivatives are licensed and their use is restricted to the treatment in hospital of cancer patients with nausea.

The annual conference of the BMA, meeting in Edinburgh, called for a wider range of cannabinoids to be licensed and their use permitted by patients outside hospital. The drugs would be taken orally as an aerosol or by injection, but would not be smoked and their use would be limited to sufferers from a defined list of medical conditions.

Steven Hajioff, senior lecturer in general practice at St Bartholomew's hospital, London, said: "The sick and dying should be able to turn to the doctor for help – not to the drug dealer. This is humane, based on sound science, and it would help keep patients out of the hands of criminal and evil elements."

Hundreds of patients were flouting the law to obtain the drug they needed and some were going to prison as a result, the conference was told. However, Edward Tierney, a GP in Rochdale, warned that cannabis had unpleasant effects, including distorting perception, reducing vigilance and causing apathy and indifference. The drug remained in the body for 28 days and, when smoked, delivered three times as much tar and five times as much carbon monoxide as cigarettes.

"Cannabis is a dirty drug. Alternatives must be found. For an association that wants to banish tobacco there cannot be any justification for legalising cannabis," Dr Tierney said.

The Multiple Sclerosis Society said the BMA's decision was premature. In a reversal of the normal roles, the patients group called for more research.

Peter Cardy, the chief executive said: "We are very surprised that doctors should be advocating wider use of substances derived from cannabis before convincing scientific trials have taken place."

A report examining the scientific evidence drawn up by the association's Board of Science, which is understood to recommend wider use of the drug, is to be considered by the BMA's council in September. An appeal by the association's leaders to defer a decision until then was rejected by the conference.

Upen Pati, a GP from Sefton, Lancashire, said: "We've been waiting for this for ten years. Thousands of suffers are anxious to have a decision now."

Earlier, the conference condemned manufacturers of alcopops for targeting teenagers with strong drink that could have lethal effects. Robin Davies, a consultant paediatrician from Gwynedd, said the average district hospital admitted one or two under-15-year-olds every weekend who were comatose with alcohol, and they were only the tip of the iceberg.

We know life can be cruel. But has Brookside finally gone too far?

Under fire: Brookside assistant producer, Sue Sutton Mayo, meets John Elleshaw and Pat Carter of Marie Curie Cancer Care (left), to defend the programme (above)
Photograph: Paul Ellis

Jeremy Laurance
Health Editor

Doctors and cancer charities have attacked the Channel 4 soap opera *Brookside* for an "irresponsible" and "unreal" portrayal of a woman dying in extreme pain from cancer.

The programme, set in Liverpool, showed the terminally-ill Gladys Charlton begging members of her family to end her suffering after her GP had failed to describe sufficient morphine.

In last Tuesday's episode, her daughter, Elaine, and son-in-law, Mick, were shown smothering her with a pillow.

Channel 4 set up a helpline for worried viewers as doctors said the programme had undermined the confidence of families caring for terminally-ill relatives.

Dr Rob Barnett, who works in Liverpool, said: "I am quite disgusted by it. It casts a slur on Liverpool doctors. I cannot imagine any self-respecting GP treating a family in the way this family has been treated."

Families of patients with cancer being treated in hospitals in the city had been upset by the programme because it was not true to life, Dr Barnett said. He had been angered by a scene in which a GP was shown giving Gladys an injection of morphine which had worn off, leading Mick to buy heroin from street drug dealers which he then injected into Gladys himself.

"I cannot believe that the situation as portrayed is a credible one in this country," he said.

Dr Bill O'Neill, of the British Medical Association, said the programme had shown the GP telling the family that Gladys had been given as much morphine as allowed.

"That is not true. There is no limit. The amount of morphine needed is the amount necessary to control pain," he said.

Although in the past doctors had feared that giving large doses would lead to addiction, there was now a recognition that the risks of addiction were lower than had been thought and in terminal cases it did not matter anyway.

"We have better drugs now and they are given in more appropriate doses," Dr O'Neill said.

He said the programme also showed the family denied support during an emotionally stressful time and given no opportunity to discuss their anxieties.

In fact, a nationwide network of nurses trained in the terminal care of cancer patients was now available.

Professor Gordon McVie, director general of the Cancer Research Campaign, said the idea that families could be forced to obtain drugs on the street and perform euthanasia on a relative was "not only unreal, but irresponsible".

The storyline was gloomy and negative and would frighten those living with cancer or treating relatives with the disease, he said.

Professor Flora Finlay, of the Marie Curie cancer charity, said: "For a TV programme to give the message that there is no palliative care available for cancer patients is totally misleading" she said.

Brookside executive producer Phil Redmond said: "One of the biggest problems facing our society is the care of the elderly.

"It seems an important and legitimate concern for a drama to plot the mental, medical and intellectual issues concerned with death."

A spokeswoman for Channel 4 said 350 people had called the helpline in the three hours after the show was broadcast.

Half had complained, but half said it showed what had happened to their relatives.

Union threatens strike vote as poor teachers given final warning

Byers: Told of need for action

Judith Judd
Education Editor

An education authority yesterday threatened at least nine teachers with the sack if they do not improve their performance by Christmas. Labour-controlled Croydon disclosed its action against teachers at Ingram High School, one of the failing schools named by the Government last month.

The National Union of Teachers accused the council of tearing up procedures and warned that it would ballot members in the borough on industrial action if the authority did not follow them. Ministers are consulting local authorities and teaching unions about how to speed up dismissal of incompetent teachers, which may take as long as 18 months.

The Department for Education and Employment said Croydon's action was "wholly appropriate". A spokesman said: "Unacceptable performance by teachers cannot be accepted. Children only have one chance of a decent education and that cannot be put at risk."

Hugh Malyan, Croydon's education chairman, said that they had taken robust action in the interests of the children.

Inspectors said the school was failing two years ago. They returned in February and said the quality of teaching was still unsatisfactory in 50 per cent of lessons.

Mr Malyan said two teachers had been moved to other schools and competence procedures against nine more would be accelerated.

> 'Children only have one chance of a decent education'

They would be interviewed next week and told they would be monitored and supported throughout next term. If 90 per cent of their lessons were not satisfactory or better by Christmas they would be dismissed.

An NUT spokeswoman said: "There is an existing agreement on how incompetence procedures should be carried out. The authority has unilaterally reneged on it. This isn't a question of individual teachers. It affects every teacher throughout Croydon." The union has declared a dispute with the authority. If it failed to reach agreement there would be an "indicative" ballot on action.

Mr Malyan said: "We believe we are following these procedures to the letter. They include a clause which talks about reducing the time-scale of the procedures if circumstances warrant it. We have to balance the fair needs of the teachers concerned against the needs of the children."

Local authorities have told Stephen Byers, school standards minister, that proceedings against incompetent teachers should take no more than two terms and those found to be grossly incompetent should be dismissed within a month.

Hong Kong fears slow invasion of corruption from across border

香港
Hong Kong handover

Teresa Poole
Hong Kong


Liquid assets: Divers checking that no one is in a car submerged during the floods that coincided with the handover Photograph: Reuters

Imagine this scenario in post-1 July 1997 Hong Kong. A politically well-connected mainlander, perhaps one of the "red princelings" from a top official's family, is eyeing a lucrative business opportunity in Hong Kong.

On the mainland his political or party connections would make it a done deal, even if others were interested. In Hong Kong he has to be more subtle, but he gets the message across that if things do not go his way the company may face hitches in its expanding mainland businesses. Thus the level playing-field starts to tilt towards a new sovereign power. "In the past we were worried that Hong Kong's corrupt style would affect us - now the situation has been reversed," China's Foreign Minister, Qian Qichen, said recently.

In the Sixties and early Seventies, Hong Kong's civil service was a hotbed of corruption. It took a big clean-up campaign, and the establishment of the Independent Commission Against Corruption (ICAC) in 1974 to purge the sleaze.

Surveys show fears of a slow advance of corruption across the border concern Hong Kong people more than China's abrupt disbandment of the elected Legislative Council. "They are willing to tolerate intolerable restrictions on freedoms ... but not corruption," said Michael DeGolyer, a political scientist at the Baptist University of Hong Kong. "We asked people which post-1997 aspects worried them most in July 1996, December 1996 and February 1997. It [corruption] was number one," he said.

Business surveys paint the same picture. A Jiji news agency poll showed 60 per cent of 183 Japanese firms in Hong Kong expected corruption to increase and feared Chinese firms would get preferential treatment over foreign companies. Even pro-Peking figures have been vocal. The former chief justice, Yang Ti-liang, who ran in the chief-executive selection, said: "As our exchanges with the mainland, particularly the southern part of China, increase, the trend will infiltrate Hong Kong. This is difficult to resist."

With Hong Kong accounting for 60 per cent of foreign investment in mainland China, its businessmen have great experience of how across-the-border contracts do not get signed, bureaucracy does not get cleared, and problems with the vast security apparatus are rarely averted without bribes.

Peking recognises corruption is endemic, but crackdowns are stymied by corrupt officials. There are many paths down which the problem can spread to Hong Kong. China's provincial cadres have their sights set on Hong Kong as a place to expand their business empires, and with Hong Kong again part of China they may assume that business ethics are equally flexible.

Senior mainland officials and their families could start behaving as if they are above the law in Hong Kong, just as they are in China. Hong Kongers with excellent Peking connections may assume they too now have some protection. And, if something shakes the confidence of Hong Kong, uncertainty about the future could persuade civil servants and police officers to be tempted by quick money. While Mr Qian pointed to "the building of socialist spiritual civilisation" as the answer to mainland corruption, Hong Kong would rather put its faith in the ICAC. It has been building links with Guangdong, across the border, which produced results in 1993, when a smuggling racket was broken and 17 stolen Hong Kong cars discovered in containers being driven into China; 24 people, including 10 Customs officers, were arrested.

It is still unproved, however, whether the ICAC would have the might and freedom to investigate a suspected well-connected mainlander working in Hong Kong. Peking can put enormous pressure on Tung Chee-hwa, the Chief Executive, if an ICAC investigation starts to look embarrassing for the sovereign power. And Hong Kong's media may find itself less inclined to report mainland-linked corruption cases. In Shenzhen, bordering Hong Kong, there was some effort to promote a cleaner image in the run-up to the handover. Under new regulations, Shenzhen cadres will have to declare their assets once a year, reporting all sources of income, business investments, ownership of property and cars and gifts they have received. The information will not, however, be published, as it is in Hong Kong.

Tung's vision

Hong Kong's new order got down to business yesterday, as Tung Chee-hwa, the new Chief Executive, held one of the biggest press conferences ever held in the territory, *writes Stephen Vines*.

He was reluctant to spell out his plans, but insisted the main priorities were housing and education. He also made it clear that although dissent would be tolerated, there would be limits. The conference followed an award ceremony, where Mr Tung handed out honours to those who had worked for reunification.

significant shorts

Palestinian shot dead as land clashes rage

Israeli troops shot dead a Palestinian teenager in clashes over a disputed strip of land near a Jewish settlement bloc in PLO-ruled Gaza, hospital sources said. In the West Bank town of Hebron, Israeli troops showered with stones and firebombs shot rubber bullets and live ammunition, wounding 26 Arabs as residents observed a general strike called to protest at anti-Muslim posters depicting the Prophet Muhammad as a pig. Palestinian police sources said they feared youths would use policemen as a protective shield, drawing fire in their direction, which could escalate the unrest. "We are not responsible for protecting (Israeli Prime Minister Benjamin) Netanyahu's policies against our Palestinian people," a source said.
Reuters – Deir al-Balah, Gaza Strip

Serb mayor accused of torture

The Serb mayor of the Croatian town of Vukovar took part in the torture and murder of 260 non-Serb men there in November 1991, according to a Yugoslav war-crimes tribunal indictment unsealed yesterday. Slavko Dokmanovic, 47, and others "removed approximately 260 men from Vukovar hospital and then transferred them to a farm building in Ovcara, where they beat the men for several hours," according to the UN court's 10-page, six-count indictment. **AP – The Hague**

Sauna scandal minister quits

President Boris Yeltsin sacked his Justice Minister, who had been allegedly filmed cavorting in a sauna with three naked women. Valentin Kovalyov was replaced by a former national security chief, Sergei Stepashin, a Kremlin spokesman said. Mr Yeltsin suspended the minister a week ago pending an inquiry into a newspaper report that said he had been filmed in a gangland sauna with naked women in 1995. **Reuters – Moscow**

Twin trouble

An Egyptian who complained of stomach pains was found to have his under-developed twin foetus lodged above his abdomen, where it had been feeding off him for the past 16 years. Medical sources said doctors found an 18-cm long foetus weighing 2kg with a head, an arm, a tongue and fully-formed teeth when they operated on Hisham Ragab, 16, a building worker. **Reuters – Cairo**

UK stitched up by Burma junta


BBC special correspondent **Sue Lloyd-Roberts** examines how the generals have made a killing in European trade

Colonel Aung Sann summed up Burma's economic prospects with obvious relish. "Business with America is difficult. But there are no problems trading with Europe and now we have been invited to join Asean, the future of our government is secure. We can ignore the critics."

Burma's generals might be particularly pleased with British enthusiasm for business in their country. According to their figures, Britain is in second place after Singapore in the league table of investors, with over $660m (£388m) of British investors' money invested last year.

Most of this is accounted for by stakes in giant gas and oil projects, but at the manufacturing level Rangoon is festooned with British logos and trade names. At a garment factory outlet in a Rangoon shopping centre you can find labels such as, British Colony, Bay Trading, Casual Club and, most prominently, Burton.

After fish, clothes are Britain's main import from Burma. There are few American labels to be found. Leading US garment manufacturers, responding to consumer pressure, withdrew from Burma well before President Bill Clinton told them to go in May. The US clothing giant, Levi Strauss, said: "It is not possible to do business in Burma, without directly supporting the military government and its pervasive violations of human rights."

Links between the clothing business and the military are not hard to find. Posing as a manufacturer, I found the garment section of the military government's joint venture division housed in the same building as the Department of Defence Procurement, next door to Rangoon military headquarters.

When I showed Colonel Aung Sann, who is the senior officer in the Burmese military government's joint venture department in Rangoon, the list of factories which make clothes for the British market, he claimed he controlled them all.

When asked about costs and if he could compete with neighbouring Thailand which pays its garment workers an average $2 a day and China $1, he laughed, saying: "We are lower than that here, less than $1 sometimes."

At one factory run by the military, the girls said the army routinely takes half their earnings as the price of keeping their jobs. At another, where they dared protest, two truckloads of armed soldiers appeared and threatened to arrest them if they failed to return to work.

At the Unimix factory, which makes shirts supplied to Burton, a former employee says the jobs go to the families of the army.

Burma's democracy leader, Aung San Suu Kyi, says Western companies are fooling themselves if they believe they are aiding the well being of the people by manufacturing in Burma. "The only people who benefit", she says, "is the military class." Britain is on the way to doubling its imports from Burma this year.

While companies operating in Thailand and the Philippines wrestle with child labour laws, Burma with its "*laissez faire*" attitude is increasingly attractive. If human rights in Burma deteriorate, Britain has promised to raise the issue of sanctions against Burma with the European Union. But Burma's people could be forgiven for wondering how bad it has to get.

Burton was asked to comment but at the time of going to press had not responded.

Sue Lloyd-Roberts' report from Burma will appear on Newsnight, *tonight at 10.30 on BBC2*

Clinton urges free trade for cyberspace

Mary Dejevsky
Washington

When it comes to new technology, President Bill Clinton has admitted that he is still at the start of the learning curve: he said last month he would have his daughter, Chelsea, teach him how to use e-mail before she went to university in California this autumn.

But the US president's openness to the possibilities of computers and the Internet have persuaded him that for the time being at least, technological development, electronic information – and (just coincidentally) the interests of US-based companies like Microsoft that have pioneered the technology – should be given free rein.

After a White House meeting on Tuesday afternoon to consider a report on electronic commerce, Mr Clinton described the Net as an "engine for future economic growth". The US, he promised, would act "to ensure that international trade on the Internet remains free of new discriminatory taxes, free of tariffs, free from burdens and regulations, and safe from piracy".

The report, compiled in close consultation with industry leaders, including Microsoft's Bill Gates, had argued that no new taxes or tariffs be levied on transactions over the Net, and that government should not set technical standards. It would be left to the industry competition to determine the type of technology that would become dominant.

Mr Clinton acknowledged that some would want more regulation but, he said: "In many ways, electronic commerce is like the Wild West for the global economy."

The duty of government was "to ensure that it's safe and stable terrain for those who wish to trade on it" – but there its involvement would stop.

Naming Vice-President Al Gore as overseer of US Internet policy, Mr Clinton announced a series of initiatives to be enacted over the next 12 months. They included discussions with the World Trade Organisation to have the Net declared a global free-trade zone; work with the computer industry to develop technology and codes of conduct to ensure individuals' privacy, and encouragement to firms to develop "blocking" technology, like the "V-chip" to prevent children from seeing unsuitable material.

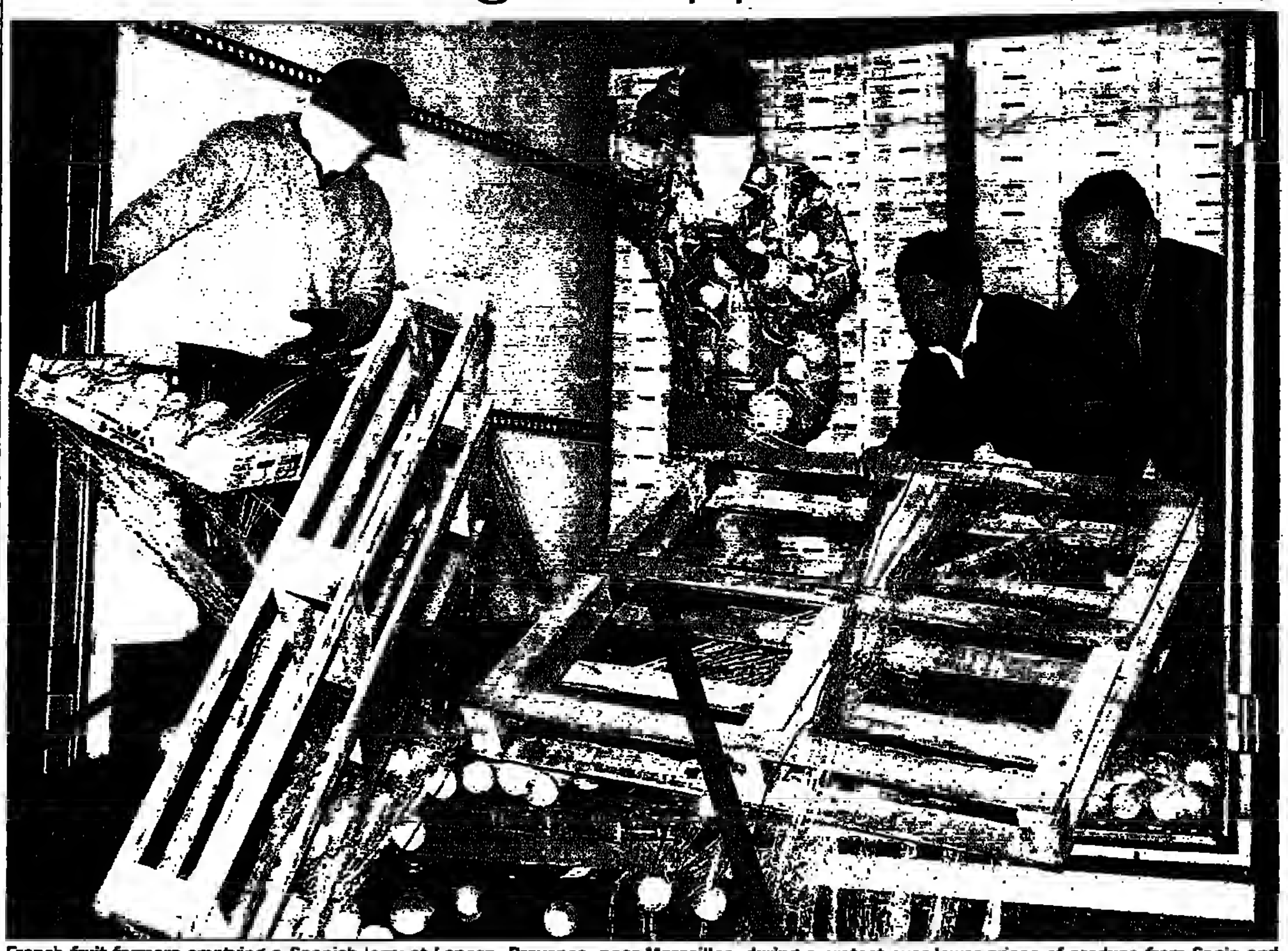
Mr Clinton's concerns on this score were heightened by the ruling of the Supreme Court last week that legislation already passed by Congress to censor the Net was unconstitutional. In attempting to protect children, the court decided, Congress had violated the rights of adults.

Recognising the strong lobbying power of the family values campaigners, Mr Clinton had pledged that some way – perhaps through technology – would be found to protect children from unsuitable material on the Net.

Mr Clinton's hands-off intentions towards the Net were praised by industry leaders. The president of America Online, Steve Case, said that "inconsistent and varied policies" regarding the Internet, including tax policy, could limit the ability of companies to participate in electronic commerce.

The administration will continue to restrict the sale of encryption devices, despite industry arguments that the technology will soon be so widespread that restrictions will be meaningless, and it has done little to enforce protection of copyright.

French farmers get the pip with the Spanish



French fruit farmers emptying a Spanish lorry at Lancon, Provence, near Marseilles, during a protest over lower prices of produce from Spain and Portugal which have forced them to lower their own prices in order to remain competitive Photograph: Reuters

German police are still brutal, says Amnesty

Imre Karacs
Bonn

Picture the scene: two policemen enter a railway café somewhere in Europe, pick on two black men sipping beer in the corner who within minutes are lying on the floor covered in bruises after being beaten and repeatedly kicked in the stomach.

Such an event, documented in Amnesty International's latest report, took place on 23 February 1996 in Düsseldorf, Germany's fashion capital. Not so unique in itself, except that the incident was witnessed by 13 members of a religious charity, and still no action was taken against the policemen involved. Five weeks after the witnesses filed a formal complaint, the Düsseldorf Public Prosecutor's office closed the investigation because it had been "unable to identify" the officers in question.

It was two years ago that the human rights organisation produced its first damning indictment of police brutality in Germany. The sad conclusion of the latest update is that the authorities have done little in all that time to protect the public from thugs in uniforms.

"Since 1995 more than 40 fresh reports of ill-treatment have been received by Amnesty International, confirming the organisation's central conclusion in its May 1995 report that cases of alleged police ill-treatment are not isolated incidents, but amount to a clear pattern of abuse," states the document, published today. "In many instances the alleged ill-treatment appears to have been racially motivated."

Despite promised improvement, investigations into police brutality were still running into brick walls. Mustafa K, a naturalised Turk, offended the law by refusing to let police officers search his Berlin home without a warrant. Between bouts of racist abuse, he was thrown onto the floor, and kicked in his head and body, then worked over again in the police van.

That was in July 1996. Since then, the prosecutor's office has closed the investigation into police mistreatment because of a "lack of neutral witnesses". Mustafa K has been charged with resisting arrest.

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THE INDEPENDENT

BUDGET SPECIAL

What it means – the pundits' verdict


'Brown's socialist past, the angry young man's impulse to equality, had vanished from view.'
Andrew Marr, page 20


'This is a big hit, albeit a popular one, against capital to pursue a social goal.'
Donald Macintyre, page 20

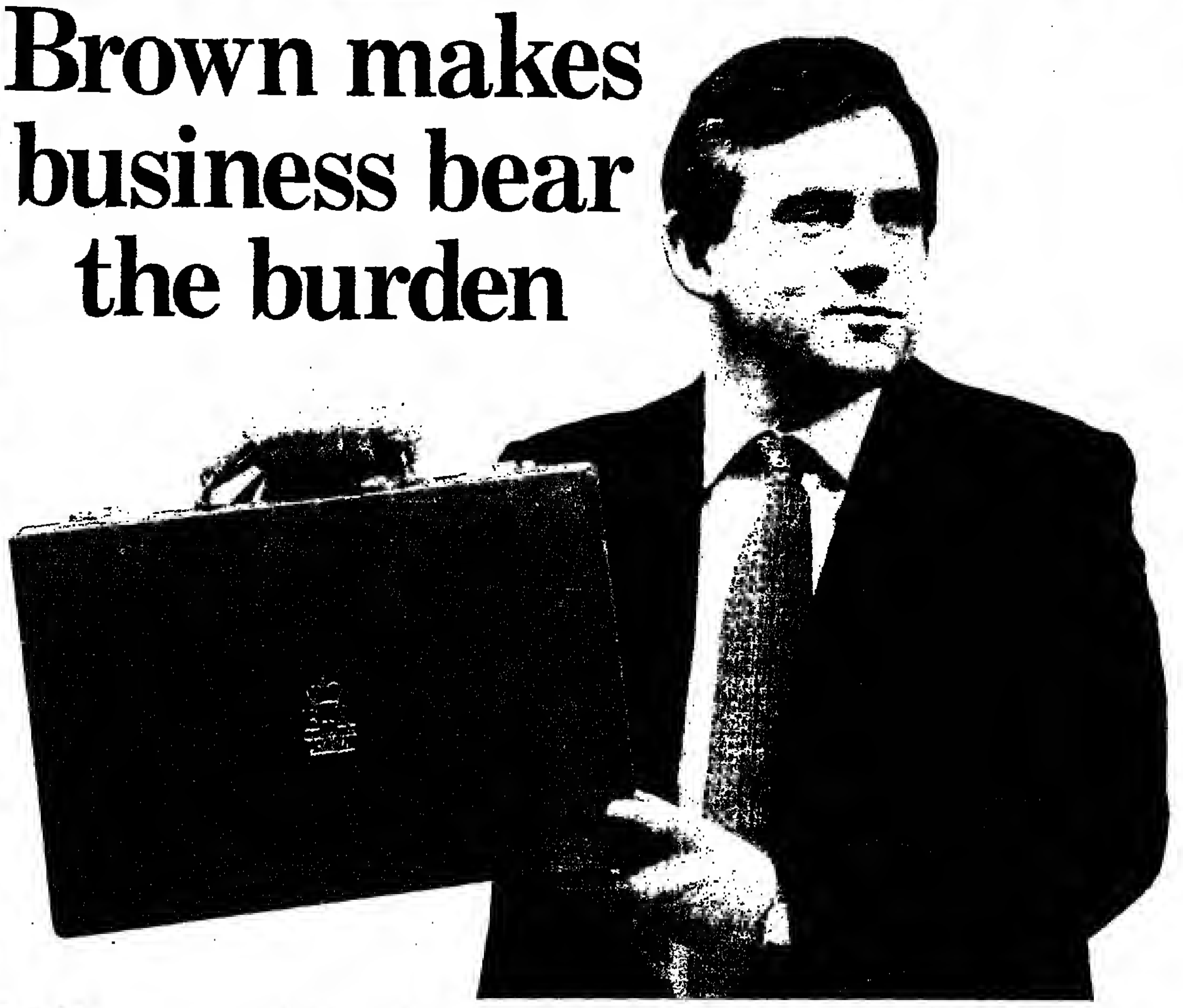

'The NHS has been saved from a calamity that would very probably have led to its collapse.'
Polly Toynbee, page 21


'He has been able to stand outside British politics and frame something which is orderly, logical, credible and appropriate in a global economy.'
Hamish McRae, page 20


'In seeking to keep faith with the electorate to whom he promised no increase in tax rates, Mr Brown has got the balance of his budget wrong.'
Bill Robinson, page 21


'Far from being a green budget _ Mr Brown's efforts seem destined to give global warming a wholly unnecessary boost. Their impact on the environment will be far less important than their contribution to filling the Chancellor's purse.'
Tom Burke, page 21

Brown makes business bear the burden



Ian Griffiths

The corporate sector has been badly hit by the Labour's first budget, which slaps a £5.2bn windfall tax on privatised utilities and abolishes the tax credits on dividends – a move which will eventually end up costing business and the City £5.4bn a year. This has only partly been offset by lower corporation tax rates and improvements in capital allowances.

The Chancellor hopes the measures will create a climate for long-term growth and investment, but this was being viewed with scepticism in the City and industry last night.

The windfall tax will raise £5.2bn as a one-off charge against water and electricity companies, along with BT, Railtrack, the old British Gas, BAA and British Energy.

The levy will be used to fund the Welfare to Work programme, aimed at finding jobs for the young and long-term unemployed. A further £1.3bn will be set aside from the windfall tax to be invested in a capital renewal programme for Britain's schools.

The tax is an attempt to claw back for the taxpayer the undervaluation of privatised companies when they were sold to the private sector. The liability for each company will be based on a revised market capitalisation which will be inflated to reflect its underlying value.

BT estimates its liability will be £500m, BAA reckons its liability will be between £70m and £100m. Anglian Water anticipates a £170m charge and Railtrack anticipates paying £135m. BT is unhappy about the amount it will have to pay and is considering mounting a legal challenge against the windfall tax.

However, it is the changes to the system of tax credits on dividend payments which will provide a higher and more sustained yield for the Revenue.

Payments of tax credits to pension funds and UK companies other than charities were abolished yesterday. Other shareholders, including individual Personal Equity Plan investors, will not be affected until 6 April 1999.

The change is a blow to big institutional investors such as pension funds whose tax-exempt status has allowed them to reclaim the tax credits on dividends paid by UK companies. The Treasury estimates that an £800 dividend paid by a company is worth £1,000 to an exempt investor because it can reclaim the £200 tax credit the dividend attracts. The Chancellor believes has been an incentive for companies to pay dividends rather than invest in the business.

The abolition of tax credits for exempt investors will yield £2.3bn for the Exchequer in 1997-98 rising to £5.4bn in the tax year 1999-2000.

The Chancellor believes that the abolition will remove a distortion in the tax system, which has encouraged dividends rather than investment, and made companies with high pay outs to shareholders more attractive to investors than those offering capital growth.

The Chancellor also cancelled the Foreign Income Dividend Scheme, which allowed companies with international operations to reduce the amount of advance corporation tax they paid. This will raise an extra £250m a year from 2000-1 onwards.

However, the corporate sector has also been given a boost with a cut in the basic rate of corporation tax from 33 per cent to 31 per cent. That reduction, which had not been anticipated, helped push share prices higher as dealers preferred to concentrate on the short-term boost this will provide rather than the impact the abolition of the tax credit will have on share prices.

Around 500,000 companies will benefit from the reduction in corporation tax. Britain can now boast of a lower main rate business tax than the United States, Japan, Canada and many European competitors. Cutting the rate of corporation tax raises the return on investment and makes the UK a more attractive place to invest for the long term.

Smaller and medium-sized firms have also been given a Budget boost, with a cut in the small companies corporation tax rate to 21 per cent from 23 per cent, which gives Britain the lowest rate in the EU for businesses with profits up to £300,000.

The cut in the main rate of corporation tax will cost the Exchequer £1.4bn in 1998-99 and £1.95bn the year after. The reduction in the small companies rate costs £200m in 1998-99 and £250m the following year.

Small business have also been encouraged by a temporary doubling of allowances for machinery and plant to 50 per cent, returning to 25 per cent for subsequent years. Around 3.5 million businesses are expected to benefit in the uplift.

More than 99 per cent of all businesses will qualify for the increased allowances which the Chancellor believes will help them to grow and invest. It is estimated that small and medium-sized businesses will pay £230m less in tax in 1998-99 because of the improved capital allowances. That figures falls to £170m in the year 1999-2000.

Value Added Tax thresholds have also been increased in an effort to minimise the burden on smaller companies. From 1 December 1997 the VAT registration threshold will be raised to £49,000 from £48,000.

The deregistration threshold rises to £47,000 from £46,000. The increases are broadly in line with inflation and represent a nil cost on an indexed basis.

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Homeowners and mortgage lenders relieved by limited changes to stamp duty and Miras.
Page 13

Hague labels the Budget a "smash and grab raid" on pension funds and says it breaks Labour's election promises not to raise taxes
Page 18

Corporate sector suffers as £5.2bn windfall tax hits privatised utilities and tax credits on dividends abolished
Page 11

New Individual Savings Accounts set to take over from Peps as personal and company pensions hit by abolition of tax credits
Page 13

Labour MPs buoyed by the party's first Budget in 18 years that will make a real difference to people's lives
Page 18

How the Budget will affect you – from the rich to the poor
Page 22

Full details of the Chancellor's speech
Pages 18-19

Boost for hospitals and education

Fran Abrams
Political Correspondent

Schools and hospitals are to receive an extra £2.2bn from the Government's reserves next year. The move took new Labour firmly back on to the old Labour territory of better funding for health and education.

As there would be no spending round this year, the Chancellor said, he would allocate an extra £1.2bn to the National Health Service during the next financial year plus an extra £1bn to schools. In addition, there would be £1.3bn over the next five years – £150 per pupil – to help pay for new school buildings and for repairs to existing buildings.

But there was tacit agreement from the Government last night that the move would not help schools and hospitals through the coming winter. In a letter to senior health service officials the Secretary of State for Health, Frank Dobson, recognised that there were still challenging times ahead.

However, the promise of extra money next year should help schools and hospitals in the interim. To an extent, they can muddle through in the knowledge that they can expect a windfall later.

Mr Brown told MPs that although the majority of the Government's £5.5bn reserves for 1998-99 would be retained for contingencies, he could afford to spend money which might otherwise have been distributed during the Autumn public spending round.

On health, measures such as the recovery of the costs of road traffic accidents from insurance companies would help to save money, he said. However, there would also be extra cash for hospitals while a broader review of their future took place.

"Now that long-term changes are under way I want the NHS to be able to plan also for the year ahead. I want them to do so in the sure knowledge of a prudent and realistic allocation for 1998-99 which will ensure that services are maintained and that patient care is secure," he said.

Mr Brown added that extra money for education would be directed specifically to schools and that local authorities would be expected to show that they were spending it on raising standards and improving discipline.

"The Government must be satisfied that resources in education are going direct to learning in our classrooms," he said.

In addition, public/private partnerships would be encouraged to help upgrade school buildings. Cash from the windfall tax would be invested to equip schools with better classrooms and technology.

Schools would be invited to submit plans on how they intended to modernise, but £1.3bn would be made available over the course of the Parliament to back the programme.

The move was condemned by both the Conservatives and the Liberal Democrats as failing to address the real needs of schools and the health service.

William Hague, the Conservative leader, said Mr Brown hoped to use the extra cash to soften the blow from tax rises.

"This is a budget in which the Government have broken a central election promise and tried to comfort their supporters by saying there will be a £1.2bn increase in health service spending when last year there was a £1.6bn increase in the health service," he said.

Paddy Ashdown, the Liberal Democrat leader, said extra money would be welcome but the crisis in hospitals would happen this winter before it was paid. Over the past 18 years the average rate of growth in health spending had been 3.1 per cent but the planned rate of growth for next year would be 0.15 per cent. That represented one twentieth of the annual increase during a time which had "brought the health service to its knees," he said.

No more leaking toilets? £1.3bn has been earmarked over the next five years to pay for school building refurbishment

'Welfare-to-work' becomes a reality

John Rentoul

The Chancellor started to put flesh on the bones of Labour's manifesto promise to tilt the tax and benefit system towards incentives to work, but the measures announced yesterday felt short of a radical recasting of the welfare state.

Gordon Brown emphasised the element of compulsion on young unemployed people to take up places offered to them, but the details of the training and work schemes to be provided will not be given until this afternoon. And the new measures aimed at encouraging lone parents to find work are to be funded by just £200m over the life of the parliament.

The unveiling of the £3.5bn "welfare-to-work" programme lacked impact, partly because it was so faithful to Labour's manifesto promises, but also because the details of the schemes to be offered to young people are to be announced in the Commons today by David Blunkett, Secretary of State for Education and Employment.

The programme is dominated by the plans to take young people off benefit, and by a separate scheme to subsidise employers who take on over-25s who have been out of work for a year or more.

But Mr Brown used the scheme to signal a shift in the direction of US-style "workfare". He said in his speech: "With these new opportunities for young people come new responsibilities." And he said bluntly that benefits will be cut if young people refuse to take up the opportunities.

The main new elements consist of smaller packages to encourage lone parents to take up work, and to help the disabled. Each group will receive £200m over five years to pay for help with training and finding work. But the money for lone parents will also cover the cost to the taxpayer of allowing them to pay up to £100 a week for childcare without affecting their in-work benefits.

In a hidden move towards a more punitive approach to increasing the incentive to work, the Chancellor also failed to restore Conservative cuts in benefits for lone parents due to come in next year. But the Budget failed to confirm officially inspired speculation that it would be even tougher on lone parents and contain measures to compel them to accept job offers.

More details of plans to offer help with "jobsearch, childcare and training" to 40,000 lone parents this year and 1 million next year will be announced by Harriet Harman, Secretary of State for Social Security, tomorrow.

On the "carrot" side of the carrot-and-stick approach, Mr Brown also announced that the "supply" of childcare would be boosted by the recruitment of an army of 50,000 childcare workers from the ranks of the young unemployed joining the "welfare-to-work" programme, the centrepiece of the Budget.

The main focus of the programme has been blurred recently by the fall in the number of 18-25-year-olds who have been unemployed for more than six months. There are now fewer than the 250,000 that Labour was pledged in its manifesto to get off benefit and into work or training schemes. This was seized on by William Hague, the Conservative leader, who proclaimed the previous government's achievement in presiding over a fall in youth unemployment of 400,000 over the past four years – "without a windfall tax", he told the Commons.

Against a background of speculation that companies have been reluctant to come forward to take part in schemes to provide training and work for the young unemployed, he called on "every business to play its part in this national crusade to equip this country for the future".

FUEL DUTY

Household bills to fall by £30 a year

Nicholas Schoon
Environment Correspondent

Household fuel bills will fall by nearly £30 a year on average as a result of two energy tax cuts the Chancellor announced yesterday.

While this is bound to be popular with consumers, the price reductions infuriated green campaigners who said they would inevitably lead to greater emissions of climate-changing greenhouse gases as households burn more fuel.

A cut in the gas levy and Value Added Tax on domestic gas and electricity from 8 to 5 per cent come at a time when gas and electricity prices are already relatively low and falling. But there were no concrete moves announced in the Budget Speech to increase energy saving.

The VAT cut had been widely trailed and was a manifesto commitment. It will save the average household £18 a year, but will cost the Government nearly £500m a year in lost revenues. Gordon Brown said that he would like to cut VAT on household fuel to zero, but European Union rules prevented him from doing so.

The complete removal of the gas levy from next April will cut the gas bills of 18.5 million households by an average of 2 per cent, said Mr Brown. The last government had placed the levy on some old North Sea gas contracts British Gas had entered into with suppliers because these contracts escaped Petroleum Revenue Tax.

"As a result of these two changes, and other price cuts already announced, I expect gas prices to fall in real terms by 5.5 per cent this year and 11 per cent next year, which will mean a fall of £90 in next year's fuel bills compared with last year's," the Chancellor said.

It had been widely anticipated that Mr Brown would also cut VAT on energy-saving goods to 5 per cent, putting loft insulation and draught-proofing materials on a level playing field with fuel. The *Daily Telegraph* made this its main front-page story last week.

But yesterday Mr Brown made no such cut, leaving VAT on these fuel-saving products at 17.5 per cent – although the Treasury did promise to review the impact of such a VAT reduction by October.

Nor did the Budget contain any other specific moves to encourage energy saving, apart from an assurance that an unspecified number of the work and training provided for jobless young people through the Windfall Tax on utilities would be in home insulation and draught-proofing. Andrew Warren, director of the Association for the Conservation of Energy, said that when Labour was in Opposition every member of the Shadow Cabinet had voted in favour of cutting VAT on energy-saving goods.

"It would only have cost the Government about £15m a year in lost revenue, and have given a huge boost to energy saving," said Mr Warren. "What had changed now that Labour is in government?"

The only consolations for environmentalists were Mr Brown's move to reduce the price of tax discs for clean, low-emission buses as well as lorries, to raise petrol and diesel duty by slightly more each year than the previous government had committed itself to and a promise to look into new green taxes on quarrying and water pollution in time for his next Budget in the spring of 1998.

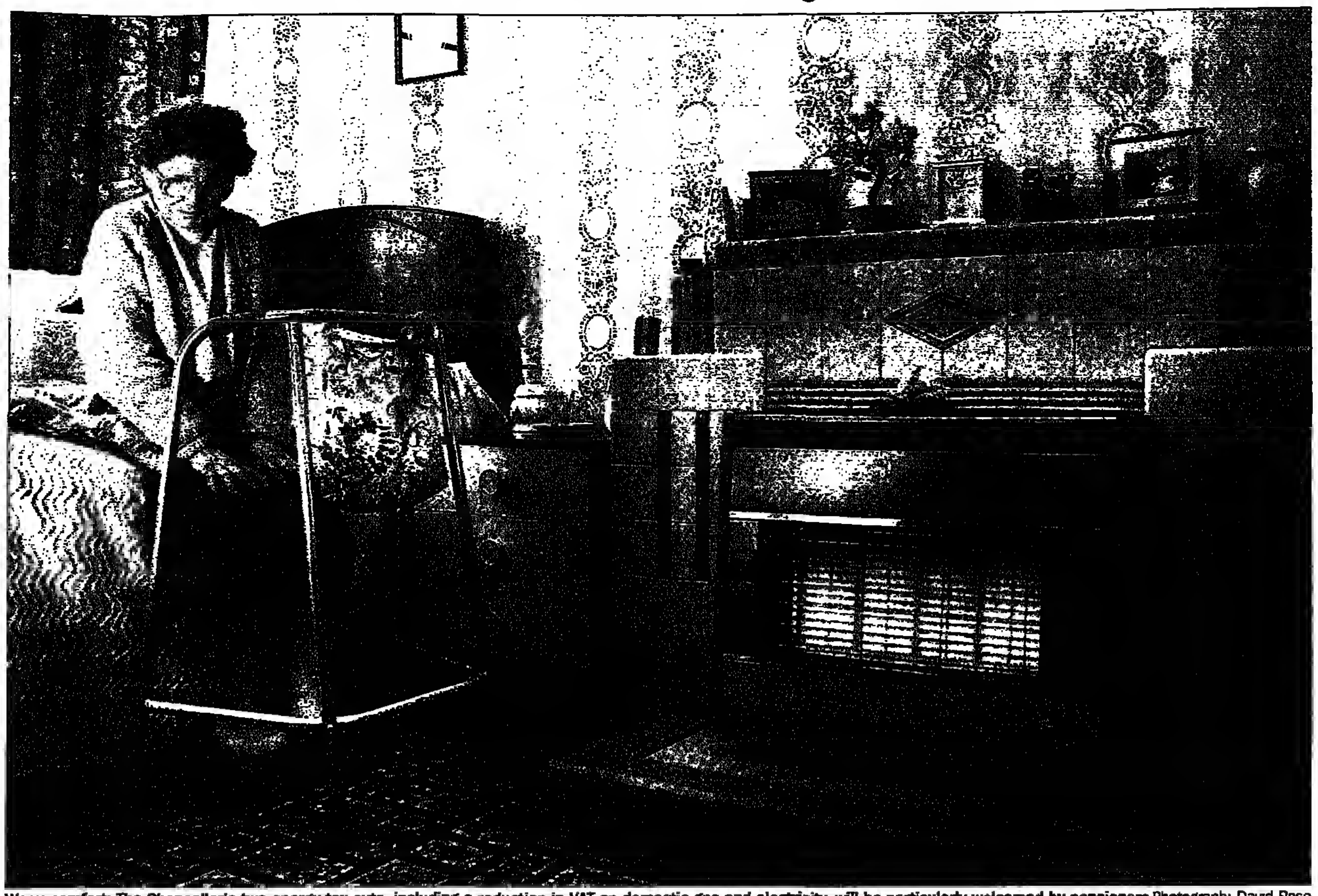
Charles Secrett, director of Friends of the Earth, said last night: "We're bitterly disappointed. It's just more promises for the future, and we won't be bought off with empty promises any more.

"How is Tony Blair going to deliver on the promises he made at the Earth Summit in New York? It's a green con."

Eion Lees, director of the Energy Saving Trust set up by the last government, said: "We're very disappointed the Chancellor did not take this opportunity to level the playing field, and make energy saving as attractive as energy consuming."

The Treasury said the further increase in fuel duties would lead to a cut in Britain's carbon dioxide emissions of 9 million tonnes a year.

But the Association for the Conservation of Energy said the cuts in taxes on household gas and electricity would mean an extra 1.6 million tonnes of carbon dioxide being produced, as consumers responded to low prices by using more.



Warm comfort: The Chancellor's two energy tax cuts, including a reduction in VAT on domestic gas and electricity, will be particularly welcomed by pensioners Photograph: David Rose

ENVIRONMENT

Plan to extend green tax to quarries

Nicholas Schoon

The Chancellor promised a serious look at the case for new taxes on quarrying and water pollution in time for his next Budget in the Spring.

But it failed to deliver on a pre-election promise that Labour in power would publish a "green book" with each budget, setting out the environmental impacts of its financial policies.

The quarrying industry lost no time in starting its campaign against a quarrying tax. Last night Jerry McLoughlin, the Quarry Products Association's economist, pointed out that 40 per cent of all the purchases of sand, rock and gravel were ultimately made by local councils or central government. Any revenue raised by the tax would thus be largely offset.

"Our products are used to make schools, hospitals and housing – things the Government says are desirable, and we think there's no overall justification for a quarrying tax," he said.

The industry extracts 215 million tonnes of material a year, costing from £2 to £8 a tonne. It would be hard to see the tax raising more than a few hundred million pounds a year at most, but several environmental groups are strongly in favour of it. The tax would encourage recycling of materials from demolition and repair work, reduce the amount of countryside being dug up each year and possibly cut the movement of lorries carrying quarried material.

Industry in Britain is already charged for water pollution by the Government's environment agencies, one covering Scotland and the other England and Wales. These charges vary according to the toxicity and quantity of the pollution, but they only cover the agencies' costs in carrying out its regulatory task.

What the Treasury and the Department of the Environment are now going to look into are further, higher charges aimed at forcing manufacturers, processors and water companies to look into how they can further cut environmental harm. According to the Environment Agency, nearly 2,500 miles of river in England and Wales is classed as "poor" or "bad", although water quality has been improving.

The Treasury also released a brief statement of intent on environmental taxation yesterday, which said that "just as work should be encouraged through the tax system, environmental pollution should be discouraged ... over time the Goverment will aim to reform the tax system to increase incentives to reduce environmental damage." But the statement goes on to say that green taxes must not hurt Britain's international competitiveness or penalise poor people.

MOTORING

Drivers to pay more for fuel bills and road tax

Randeep Ramesh
Transport Correspondent

Britain's 29 million motorists were hit hard while no new cash was made available for public transport.

Ministers had previously said that the Government would encourage motorists to leave their cars at home and use buses and trains.

Instead the Chancellor resorted to the previous administration's tactics of trying to price drivers out of their vehicles by increasing petrol prices and excise duty.

Petrol went up by 4p a litre in yesterday's budget. This coupled with the 19p per gallon increase introduced by Kenneth Clarke, the former Chancellor, in November last year will mean that pump prices will have risen more than 35p a gallon in just eight months.

Motoring organisations said that the price increase was "disappointing" – adding that drivers already pay £25bn in taxes. Edmund King, a spokesman for the RAC, said: "Where is the extra £2bn the motorist will be forking out going? What we do not want to see is any more taxation without better transportation."

The RAC calculates that drivers of small hatchbacks who covered 7,000 miles a year would pay an extra £33. Drivers of larger family saloons who did 24,000 miles annually would have to shell out an extra £130.

The cost of a tax disc will go up in November, in line with inflation, from £145 a year to £150.

The increases are unlikely to affect the amount of car journeys. One think-tank, the Centre of Economic and Business Research, said that the measures would "only lower the amount of road usage by 1.1 per cent by the year 2000".

Although the Chancellor did raise the rate at which petrol prices will rise – to 6 per cent above inflation every year – it will hardly dent driver behaviour. A recent AA report found 82 per cent of motorists would still use their cars even if petrol prices doubled over 10 years

As a gesture to environmentalists, Mr Brown said that he hoped to extend a scheme proposed by the last government which would offer cash back on excise duty for "clean" buses and lorries.

The last Government announced an intention to cut vehicle excise duty by up to £500 a year for lorries meeting a low emissions standard.

This proposal will now also apply to buses, which have been targeted by the Treasury as the source for 18 per cent of particulates – linked to thousands of deaths.

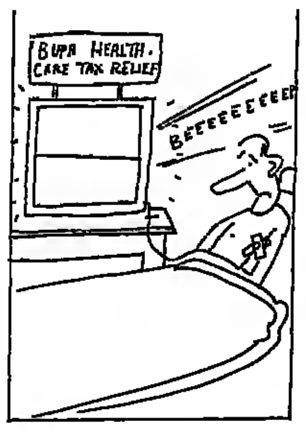
Mr Brown also launched a review of fuel rebates for buses. At present, operators on certain routes receive a rebate of around two-thirds of the fuel duty they pay for diesel and petrol. The rebate is claimed by around 50,000 of the buses on UK roads and costs the Treasury £200m a year.

The Chancellor's review will examine penalising buses that belch noxious fumes and increasing rebates for cleaner coaches.

The bus industry remained unimpressed with the proposals, pointing out that the green rebates would not cover the fuel price hikes.

"It is a derisory offer. It will cost an extra £1,500 to run a bus per year and that would be lowered to £1,000 if you happened to have a clean, low-sulphur diesel engine," said a spokesman for the Confederation of Passenger Transport, which represents bus operators in Britain.

Green campaigners said the Budget was "a missed opportunity". "There are very few measures here that will get people to leave their cars at home. And nothing about the much-heralded integrated transport policy," said Simon Festing, transport spokesman for Friends of the Earth.



Transport ministers had raised expectations after being elected – promising a radical review of transport funding.

Plans that were considered included taxing company cars, business car-parking spaces, introducing road tolls, and even a scheme which would offer motorists cash to trade in their old bangers for newer, cleaner models.

No proposals materialised, however, and transport users will have to wait until next spring to see whether the Government will make a difference to commuters' lives.

DRINK AND CIGARETTES

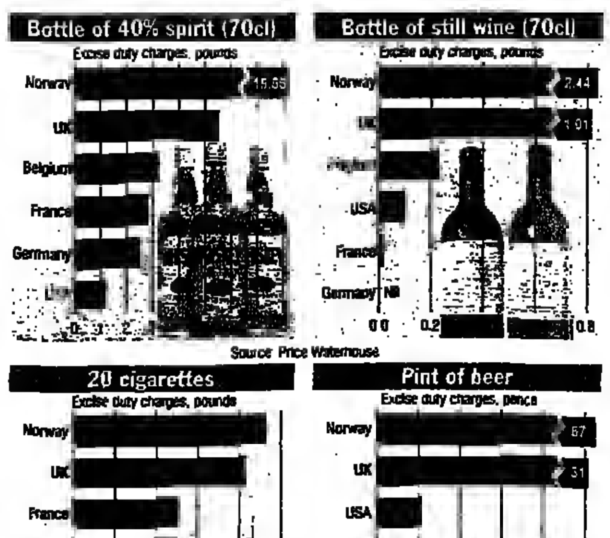
Price rises set for new year

Andrew Yates

The Chancellor has stunned the tobacco industry by announcing a hike in excise duty equivalent to 19p on a packet of 20 cigarettes from 1 December. Alcohol duty will also be increased by 3 per cent in line with inflation from next January, equivalent to 19p on a bottle of spirits, 1p on a pint of beer or cider and 4p on a bottle of wine. But he has chosen to ignore calls from campaigners and politicians for a drastic rise in the duty on alcopops.

The Government has outlined plans to raise tobacco tax by a least 5 per cent above the rate of inflation annually. It will form the main thrust of its policy to crack down on smoking. The new hardline stance includes plans to ban tobacco advertising and sponsorship.

The announcement was treated with dismay by Gallaher, the UK's largest cigarette producer, which makes brands such as Benson and Hedges and Silk Cut. "The industry already pays tax of around £10bn a year to the Treasury. We are always disappointed when we have to pay more and our customers are asked to dig deeper still," said a Gallaher spokesman yesterday. The new rise, coming on top of last year's 15p hike, will increase to price of a typical pack of 20 cigarettes to £3.30.



But the tobacco price rises were welcomed by the British Medical Association (BMA) and anti-smoking campaigners. "The tobacco price rise will help to encourage people to give up smoking and we see no reason why it should not take place immediately," said Sandy Macara, chairman of the BMA.

The anti-smoking lobby group Ash believes the price rise will save 3,500 lives a year by reducing the annual number of cigarettes consumed in the UK by as many as 2.2 billion.

The Chancellor also announced a review into excise duty on alcohol in light of the growing problem of smuggling from the Continent and the rapid increase of cross-Channel shopping. But the drinks industry was alarmed that excise duty will still rise next January, even though the results of this review are not yet known. "This will do nothing to stop the gangs that smuggle beer and wine between France and England or help the drinks companies in the South-east which are really suffering from European imports," said Dr Barry Sutton, chairman of the Wines & Spirits Association.

The Campaign for Real Ale said: "We argued for a significant cut in duty to save British pubs and safeguard jobs."

The Chancellor has ignored the clamour to slap a higher tax on alcopops. The lobby group Alcohol Concern was outraged by the decision not to single out alcopops for higher duties. "We wanted the price of a bottle to rise by 40p and hope the Government's review will lead to higher excise duties next year as alcopops raise real social concerns," said a spokesman.

FILM INDUSTRY

Shot in the arm for British talent

David Lister
Arts News Editor

Making films in Britain will be easier following the Chancellor's announcement of a 100 per cent tax write-off on production and acquisition costs for British films with a budget of £15m or less.

This is part of a wider government strategy to increase the number of films made in Britain and shown in multiplexes, and to double the percentage of the audience watching British made films. It should also put a brake on film-makers shooting in Ireland where tax incentives have long been on offer.

Yesterday's announcement means that raising funds for British films will be much easier and production costs will come down. Companies making films will have more funds for marketing and distribution and should therefore be able to retain ownership of those films rather than selling them abroad, as is often the case.

The Department of National Heritage believes that a tax incentive like this would have prevented *Braveheart* being shot in Ireland or *Four Weddings and a Funeral* having to be part financed from abroad.

Thirty films are currently in production in Britain, with investment of £200m. All could benefit from the new scheme.

The British Film Institute director, Wilf Stevenson, said: "This is a real shot in the arm for the UK film industry. Until now the UK was alone in Europe in not having some form of tax incentive aimed at levelling the field for film-makers." He said that a greater variety of British films should now be on offer to cinemas.

Gary Smith, chief executive of Winchester Films, a leading new British film company, said his share price had gone up from 83p to 91p on the back of this announcement. It would help cash flow in the industry, he said, though he would also have liked to see incentives for private investors in film.

Chris Smith, the Secretary of State for National Heritage, said last night: "In the US, film is one of the top three industries. With all our natural advantages in terms of talent, I believe our film industry has the potential to assume that sort of importance within our economy."

The Chancellor's measure will last for three years and cost the Exchequer £30m.

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budget and you

SAVINGS

New national scheme to be established by 1999

Steve Lodge

For savers, there was less bad news in yesterday's Budget than had been feared, but very little good oews either.

The tax perks of Peps will remain for now, but in two years' time this popular investment could be subsumed beneath a new Individual Savings Accounts, which will look to give tax benefits for longer-term savers and particularly to encourage people on lower incomes to save.

The value of personal and many company pensions will he hit by the Chancellor's abolition of the tax credit, but higher-rate taxpayers will still be able to get 40 per ceot tax relief on money they put into a pension and the tax-free lump sum available on many schemes is not being hit either.

Gordon Brown was also surprisingly lenient on the inheritance tax and capital gains tax breaks enjoyed by many savers. Presently, people who make profits on investments – capital gains – enjoy geoerous tax hreaks. Mr Brown announced a review of the capital gain tax regime, with changes to fnllow in the next Budget in the Spring.

But there was no mention of any changes to inheritance tax – which is a levy on the assets and estates of the dead and which has been derided as an easily avoidable tax in the past.

Philip Warland, director-general of Autif, a trade association representing companies selling the vast majority of Peps, said the Budget was good for Peps inasmuch as the tax credit had not been abolished immediately for these investments, as it was yesterday for pensioo plans. Pep investors will keep the tax credit – which has the effect of boosting the value of dividends – until April 1999, by which time a new tax-favoured Individual Savings Account (ISA) will be available.

Tax-free Tessa accounts will also remain for now. It is not yet clear whether either existing tax-favoured scheme will survive the introduction of the ISA and that may put some people off investing in Peps in the interim.

The Government will publish a consultation document on the 1SA later this year, with a view to announcing specific proposals towards mid-1998. The only clues at present are that ISAs will be aimed at raising the level of long-term savings and particularly at encouraging those on low incomes to save. Mr Brown noted that at preseot half the adult population does not save.

By contrast, accountants with Price Waterhouse estimated that the effect of the abolition of the tax credit oo the value of some pensions could be significant. For example, for someone with 10 years left to retirement the abolitioo could mean a pensioo worth 7 per cent less than expected when they came to retire. But some pension companies thought the effect of the abolition would be "marginal". However, the overall pension picture under Labour remains unclear: there was no talk in the Budget of compulsory pension saving, or how state pension arrangements might change.

There were two other moves of lesser importance for savers and investors. The Chancellor said he wanted to get rid of tax-favoured Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (E1S) that offered too much in the way of guaranteed returns.

Both VCTs and EISs offer generous tax breaks for investing in small businesses and start-ups, which are meant to be about high investment risks. Existing investments will not be affected, but the Government is to look at tightening up the existing rules, which would take effect immediately.

Lastly, investors in gilts – government boods – will from next April be able to receive their interest before tax, a move which is aimed at making gilts more attractive as an investment. Taxpayers will still have cough up through their tax returns, however.

■ As expected, the Chancellor abolished the tax relief currently enjoyed by more than half a million over-60s on private medical insurance policies. The move hits existing as well as new policies, although existing policies that are paid for annually will continue to benefit from tax relief until they are renewed.

The Association of British Insurers predicted that many people would cancel their policies as a result of the change, so reducing the anticipated tax saving to the Government. Last year the tax relief was worth a total of £110m.

HOUSING

Mortgage relief cut by 5% with rise in duty on more expensive homes

Nic Cicutti
Personal Finance Editor

Homeowners and mortgage lenders heaved sighs of relief yesterday at the Chancellor's decisioo to limit the increase in stamp duty to property purchases above £250,000, while cutting tax relief on home loans by a relatively minor S per cent.

Stamp duty is to increase from 1 to 1.5 per cent on purchases above £250,000 and double to 2 per ceot on purchases above £500,000.

Fears had been raised that Gordon Brown might announce a rise in stamp duty to 2 per cent of all property purchases above £100,000 and abolish Miras altogether, adding up to £30 a month on all home loans over £30,000.

Lenders and property companies claimed a 1 percentage increase in stamp duty might cause house prices to fall by up to 4 per cent. Michael Stott, of Stamp Duty Concern, said: "We are relieved, although our argument has beeo that stamp duty is a tax that should be abolished, not increased."

Michael Coogan, director geoeral at the Council of Mortgage Leoders, said: "My initial reactioo is ooe of relief. Stamp duty will only affect some 1.4 per cent of transactions and the people in that category can afford the charge. I think the Chancellor accepts the argument that what has heen called a housing boom in recent mooths has heeo little more than a recovery, particularly outside the South-east of England."

However, Mike Jackson, chief executive at Birmingham Midshires, called the cut io Miras a "kick in the teeth to the housing market".

The Chancellor's decisioo to drop Miras from 15 per cent to 10 per cent came at the bottom end of most experts' expectations. Mr Brown told the Commons: "I am determined that ... we oever return to the instability, speculatioo and oegative equity that characterised the housing market in the 1980s and 1990s. Volatility is damaging both to the housing market and to the economy ... I will not allow house prices to get out of cootrol and put at risk the sustainability of the recovery."

The cut in Miras anoounced yesterday will apply from April 1998, worth about £900m a year in extra tax revenues.

On a typical £50,000 interest-only loan, the drop in interest relief will mean a rise in monthly paymeots from £367 to £377 at existing rates of interest. Repayment loans will be affected differeotly, as capital repayments begin to overtake interest payments mid-way through the mortgage period.

The Inland Revenue said the Chancellor's stamp duty proposals would take effect from 8 July, wheo they are expected to be approved by the Commons. Any exchanges of contracts taking place hefore then will continue to be charged at the existing rate oo matter when completioo takes place.

The change will affect about 30,000 residential property and about 30,000 land and commercial property transactions a year, raising about £240m in 1997-98, rising to £490m the following year and £540m in 1999-200. Some 25 per cent of that will come from resideotial homes and the remainder from land and commercial properties.

Brian Davis, chief executive at Nationwide huilding society, the UK's largest mutual lender, said: "It is difficult to welcome moves that raise costs for borrowers. Nevertheless, it could have beeo worse. Part of the reason for the boom the last time came from the stroog incentives to lend, which led to people borrowing more than they could afford. We have become far more conscious of this, which plays a part in preventing a similar situatioo from reoccurring.

"At the same time, his comments should be seen as a warning to us that the market should not go berserk."

Mr Davis welcomed the Chancellor's other housing measures, particularly moves to extend the availability of affordable housing. Both Nationwide and the Bradford & Bingley are large lenders to housing associations.

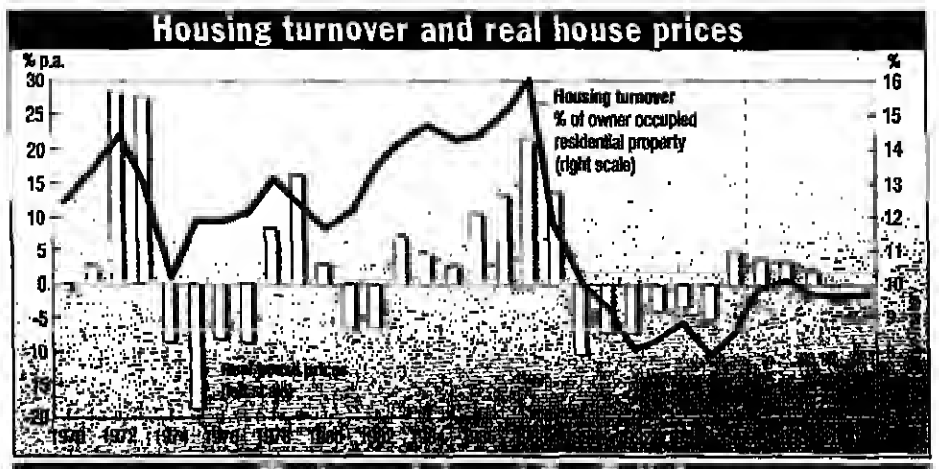
A spokesman for Bradford & Bingley said: "The effect of the Miras cuts will be fairly marginal in terms of the housing market. That said, the Chancellor does have two slices of salami left there, in that he can cut it to S per ceot and then nothing."

Financial advisers predicted yesterday that the tax changes would have little impact on the housing market. Steve Smith, a mortgage specialist at Sedgwick Financial Services, said: "This is not going to cause any slow-down. The worst-case sceoario for most people is an increase of £10 a mooth in 10 months' time."

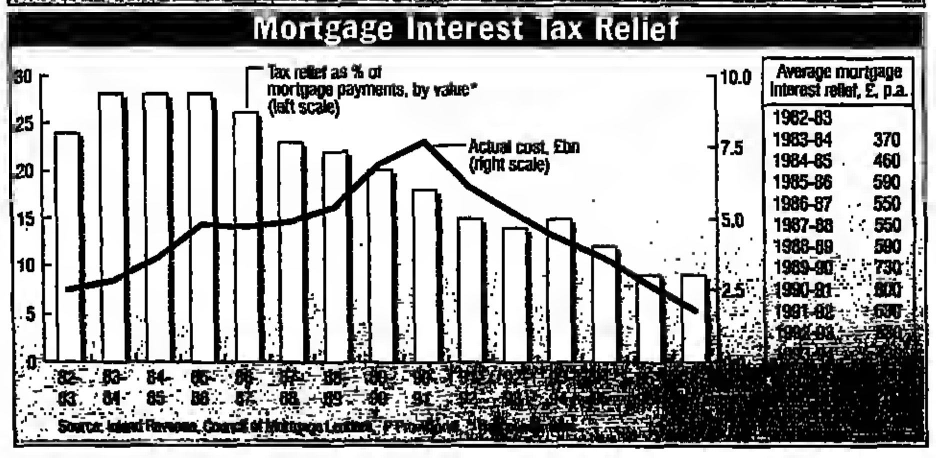
Simon Kingdon, finance director at West Bromwich building society, said: "We wonder whether it will have the desired effect of cooling the economy. It now falls to the Bank of England to make its critical assessment of the Budget."

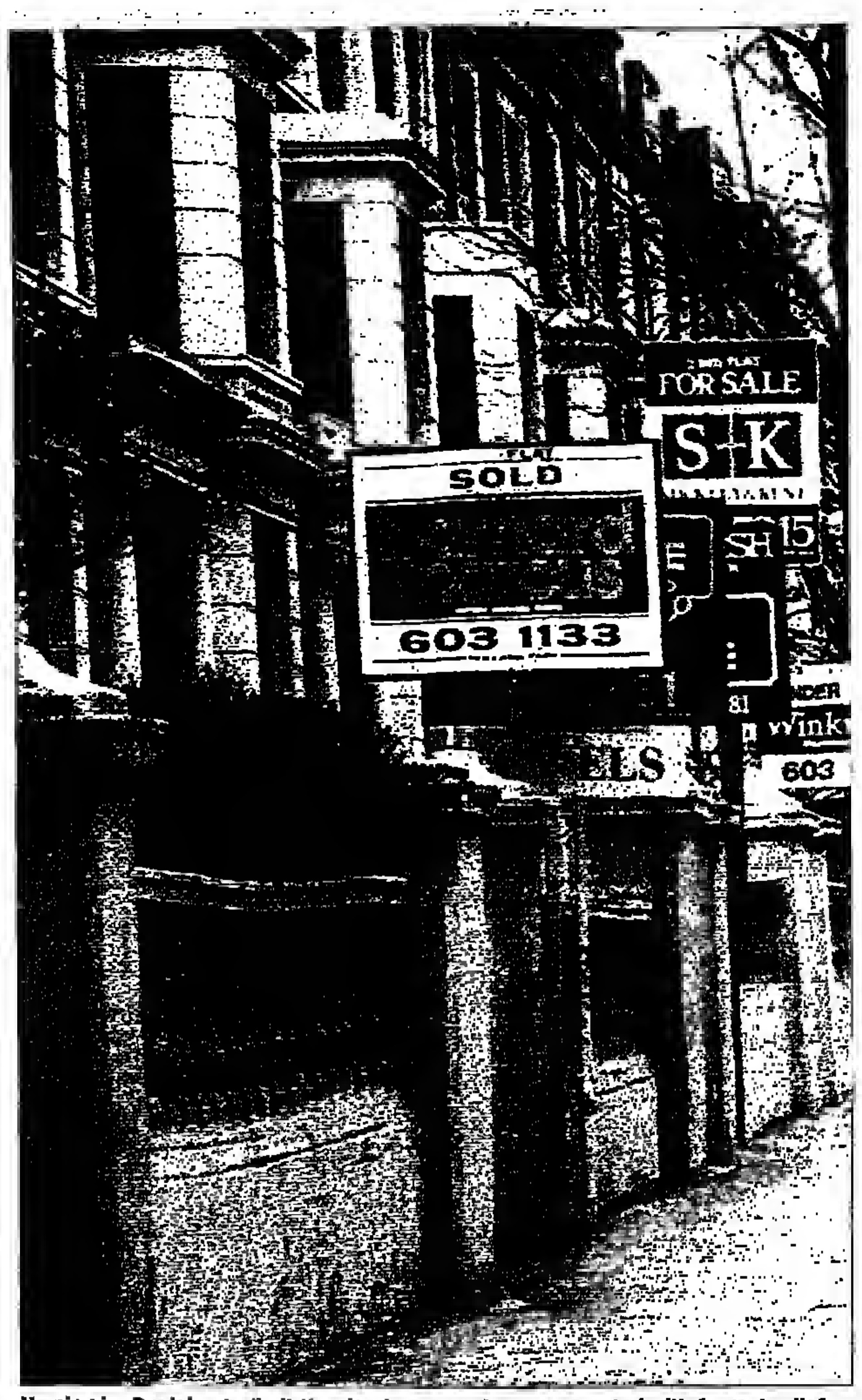
Peter Carroll, chief executive at Beneficial Bank, a large US-owned loans firm, said: "I can't see that this is going to have any dampening effect. My coocern is that interest rates may have to rise, perhaps by two half percentage points later this year."

Housing turnover and real house prices



Mortgage Interest Tax Relief





Homing in: Decision to limit the rise in stamp duty was greeted with fervent relief

Windfall tax p14

INSURANCE

Companies to pay medical costs of crash victims

Clifford German

The Chancellor's nne-line reference to collecting the full cost of treating road-traffic accideots from insurance companies caused consternation in the insurance industry yesterday.

Many spokesmen, from the Association of British Insurers downwards, leaped tn the conclusion that they would he asked to pay the full cost of hospital treatmeot for all accident victims, certainly in cases where liahility is admitted, possibly in all cases. The total costs of treating road accident victims is not known but could be in excess of £100m - enough to add significantly to the motor insurance industry's costs and to motor insurance premiums.

The Department nf Health last night confirmed however that the Chancellnr merely intends hospital trusts to pursue the costs that they are already entitled to claim uoder the Road Traffic Act of 1988. These limit costs which can be reclaimed tn a maximum of £295 per person for out-patient treatment and £2,950 for in-patients, regardless nf the actual costs of treatmeot.

Insurance companies are only liable to pay eveo this amount if they accept liability on hehalf of their policy-holder and pay personal compensation to the injured parties. In practice only a proportion of the claims are recouped.

The total costs of treatment actually claimed came to £9m a year in 1991-92, when they were last calculated and Philip Hunt, ehief executive of NAHAT, the central body for national health hospital trusts, is on record saying the additiooal revenue raised by claiming in full in every case would be small relative to the total cost of the NHS and would be costly and time-consuming in terms of hureaucratic effort.

But a report prepared by the Law Commission this year concluded that the principle of requiring insurance companies to pay the full costs of treatment io the case of all accident liahility policies and oot just motor elaims was sensible. Insurers believe that extending their liability would involve the NHS being paid twice for the treatment that it administers. They would argue strongly against being made to pay full costs even when liability was not admitted, or was disputed. At the very least it would lead to a great increase in litigatioo and administrative costs. But many of them admit privately they have been expecting the Chancellor to follow up the proposal.

budget shorts

Private health insurance hit

Tax relief on private health insurance for the over-60s is to be scrapped to help finance a reduction in Vat on fuel. Private health-care companies immediately claimed that the action, which affects more than 500,000 people, would put "intolerahle pressure" on the NHS this winter as 100,000 more people would join NHS waiting-lists.

The tax relief, which was introdoced in 1990, is being abolished because it has failed to achieve its original purpose of encouraging elderly people to take out private health insurance.

According to the charity Help the Aged, abolishing tax relief on private health insurance will affect only 5 per ceot nf people over the age of 60. A spokesman said: "Help the Aged is more coocerned ahnut seeing improvements to the NHS so older people will receive high quality, accessihle aod free health-care."

But a spokeswoman for PPP Healthcare, one of the country's largest provider of privatre health insurance, said: "Abolition of tax relief on private medical insurance for the over-60s will cost the Treasury an extra £8.5m a year and will make ao additional 600,000 people fully reliant on the NHS."

More for schools and hospitals

Schools and hospitals in Northern Ireland, Wales and Scotland are to receive extra funds.

Northern Ireland is to receive an extra £58.8m in 1998-9 for education and health, and will benefit from £140m set aside from the Windfall Tax for the Welfare-to-Work initiative. An additional £110.5m is going to Wales in 1998-99 for schools and the health service. The allocation of the extra funds is £60.2m for hospitals and £50.27m for schools. Scotland will receive an extra £195.6m in 1998-9, of which £106.6m is for the health service and £89.01m for schools.

New rules for multinationals

Tax rules for multinatiooals will he changed and modernised in the next Budget. The aim of these changes is to make the tax provisions more effective, to allow them to he applied more fairly, and to protect UK tax revenue.

Under the oew rules, taxpayers will now be required to apply the arms'-length basis for transfer prices in calculating taxable profits in tax returns. And UK companies will be required to include amouots chargeable under the controlled foreign company rules in their tax returns.

The Government said that these changes would strengthen current legislatioo and hring it into line with modern practice in other major countries. The changes will also contribute towards the drive against tax avoidance.

Gilts to become more accessible

The Government announced initiatives to make the gilt-edged stocks market more accessible to iovestors and to rednce custodians' tax compliance ohligations.

The initiatives will be achieved by giving everyone the choice from April next year to receive interest on gilts gross rather than after the deduction of tax.

The change affects the time at which tax on gilt-edged stocks must be paid, but it does not alter the extent to which interest is taxahle.

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windfall tax

LEVY ON UTILITIES

Water and power companies to bear brunt of £5.2bn bill for excess profits

Chris Godsmark
Business Correspondent

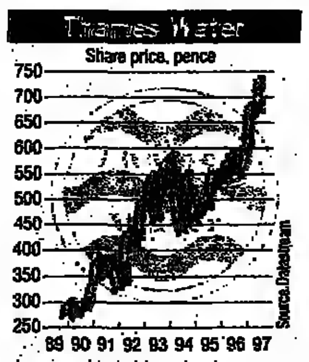
The Chancellor eoded months of intense speculation yesterdav by announcing the windfall tax on the privatised utilities would raise £5.2bn, a figure which was widely expected hut combined with a formula which left the water *and gas* industries *bearing* unexpectedly heavy hurdens.

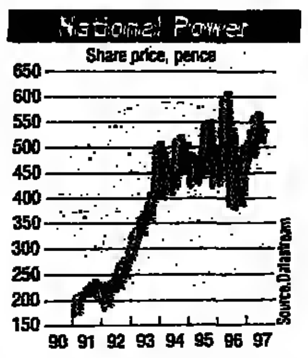
The Chancellor confirmed the tax would hit oot just the electricity, water and gas companies, hut would also include British Telecom, the airports operator BAA and Railtrack.

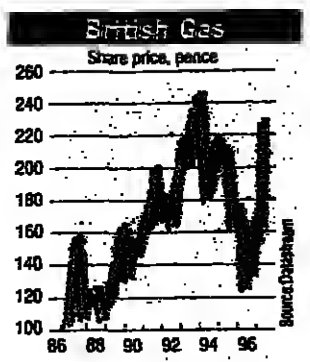
National Grid and British Energy are oot included, a decision which delighted the Grid.

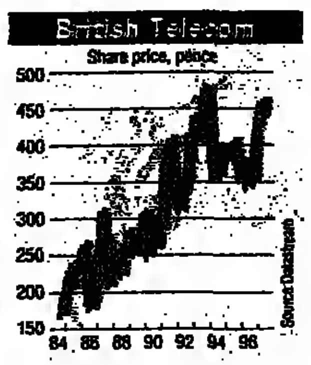
BT estimated last night it would pay around £500m, lower than the £1hn in recent speculation and indicated the chances of the group challenging the levy in court were "receding".

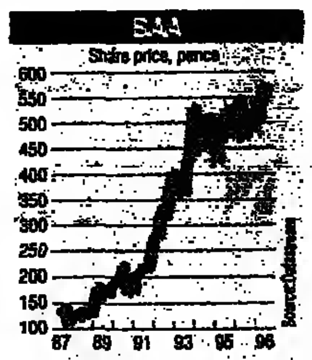
Sir Iain Vallance, BT chairman, said the Chancellor had taken into account BT's "special characteristic". He said: "We recognise that a figure in the order of £500m spread over two years, whilst not a small sum, is considerahly lower than earlier speculation might have suggested."











But the old British Gas, now split into BG and Centrica, came off with a tougher-than-predicted hill of between £640m and £740m, of which BG would pay between £467m and £540m. It comes just a fortnight after the company lost its fight against savage price cuts from the industry regulator which will reduce its annual revenues by a further £380m.

A BG spokeswoman said: "This is a blow coming on top of a tough MMC settlement. We will need to consider the implications fully."

The formula chosen by Gordon Brown was more complicated than expected by analysts. It compared the flotation value at privatisation with an average market value for the companies hased oo annual profits over up to four years after the sell-off. The tax would be levied at a rate of 23 per cent on the difference hetween the two figures.

The Inland Revenue, which will assess and collect the levy, said the company values would be calculated by multiplying average profits with a price earniogs ratio of 9, which approximated to the lowest average for the companies over the period. The groups could pay in two cqual installments, the first due on or hefore 1 December and the second a year later.

Mr Brown said the formula was designed to hit "excessive under-valuation and under-regulation," while no company would bear an undue burdeo. The water industry came off worst, paying £1.65bn spread over the 10 privatised groups. The electricity sector, including the regional companies, two Scottish groups and the geoerators, would pay £2.1bn, with £1.45bn raised from the rest, including BT.

To Conservative jeers, Mr Brown pledged the tax would be paid "without any impact on prices, or investment, or the quality of service or ... employment."

His claim was challenged by Anglian Water, which said its hurden of around £170m would hit future price cuts. "This is at the higher end of expectations. Our current borrowing is £960m, so this adds another £170m to that. The cost of that increased borrowing will be £12m to £15m a year. That restricts our ability to commit to discretionary investment and has an effect on the size and the timing of future price cuts."

The Chancellor coupled his announcement with the surprise abolition of the gas levy, a tax introduced in 1981 to cream off excess profits made from the original North Sea oil and gas boom. The move will cost £400m over the next three years, reducing the windfall tax welfare-to-work fund to £4.8bn and will reduce gas hills by about 2 per cent. The levy, which was 4p a therm, raised £200m in 1996-97, of which Centrica, the demerged British Gas supply husiness, paid around £150m.

Centrica last night estimated it would have to pay between £150m and £200m in windfall tax, but sources suggested this would be largely cancelled out by the benefit from the abolition of the levy. Independent gas companies complained that the group had been given a "deal" with Labour because of the huge take-or-pay burden on long-term gas contracts.

A Department of Trade and Industry spokesman said the levy reduction was meant to recognise the take-or-pay problem: "This gives them some relief on take or pay."

ScottishPower, the multi-utility group, came off with a combined bill of £317m, of which Manweb will pay £97m and Southern Water will have to find £127m. Scottish Hydro-Electric breathed a sigh of relief with a bill of just £45m.

Railtrack had a worse surprise, paying an unexpectedly large bill of £160m. But a spokeswoman insisted the figure the remained "bearable".

By comparison BAA, which owns Heathrow and Gatwick Airports, escaped with a levy of between £70m and £100m. Sir John Egan, chief executive, said: "While we regret our shareholders have to pay this bill, it is at least pleasing that the Chancellor appears to have produced a formula which ensures that BAA's bill, compared with other companies, reflects the strength of our case and the quality of our performance and our regulation since privatisation."

Because of the complex formula, many utility groups were still working out their tax bills late into last night. Eastern Group estimated it could pay "in the region of £100m". National Power would pay an estimated £260m, with PowerGen paying £200m. PowerGen is also thought unlikely to take legal action.

ROAD TO THE TAX

They lost the argument, now they must pay the price of their profligacy

Michael Harrison

The privatised utilities can say what they like about the windfall tax and indeed they do, all of it unflattering, but the one thing they cannot argue is that they did not see it coming. Labour first hinted at the imposition of such a levy in its 1992 election manifesto. John Smith, the then Labour leader and Gordon Brown, the shadow chancellor, turned it into a firm commitment a year later.

Since then, the utilities have been on a war footing. They have squirmed and wriggled, they have complained and cajoled, they have whined and they have dined in an attempt to persuade opinion-formers what an arhitrary, retrospective and unfair tax it is. And finally they have threatened. Tax us and we will see you in court. But their every act has merely brought them, Oedipus-like, closer to their fate.

However hard the utilities have lobbied, Labour has always beeo one step ahead, impervious to their pleas and implacable in its determination to introduce the tax.

The intellectual basis for the tax is shaky. Labour sometimes refers to the special levy Sir Geoffrey Howe imposed on the high street banks in 1981 as a precedent for what it is doing now. The then chancellor imposed a one-off tax of 2.5 per cent on the banks' non-interest bearing sterling deposits. But there was a specific reason for it. In 1981 interest rates were high – a reflection of the Conservative government's monetary policy – but banks were prevented by law from paying interest on deposits held in current accounts with the result that they began accumulating super profits.

The tax had the merit of being well-defined, coherent and timely; it was levied when the windfall profits were being earned, not years later.

The windfall utilities tax can boast none of these things. But it has popular support, since the money it raises will he used to get the young unemployed into work. The utilities thought they could win the argument by depicting the levy as a tax on 12 million shareholders and 25 million consumers. Labour's landslide election victory put paid to that. The campaign against the tax was also undermined by a series of spectacular own-goals. First there were the "fat cat" headlines that greeted homper annual pay rises culminating in the public humiliation of Cedric Brown at British Gas over his 75 per cent pay increase, and Sir Desmond Pitcher at United Utilities. The two men had a pig and a pantomime cat named after them respectively.

Then there were the huge share option windfalls directors of the National Grid and privatised electricity companies collected as they were floated on the market or scooped out of it during the frenzy of takeover bids in 1995 and 1996.

Finally, there was the apparently remorseless decline in standards that accompanied ever rising profits, most obviously in the water industry where the drought of 1995 reduced Yorkshire Water to the status of most hated company in the land as the standpipes sprang up and road tankers struggled to maintain supplies.

Now they are under attack for the lack of adequate investment in their infrastructure – whether it be Railtrack's failure to maintain the rail oetwork or the water industry's failure to plug the leaks. Yesterday the privatised utilities, and their shareholders, discovered the cost of all that profligacy.

Windfall tax – what the companies pay

	Value at launch	Market value now	Shareholder return % after 1 yr	Shareholder return % after 4 yrs	Regulated profits £m	Windfall tax estimates
WATER COMPANIES						1,650
Anglian Water	£707m	£1.88bn	56.1	154.7	208	130
Hyder:		£1.18bn	58.3	217.7		
Dwr Cymru	£346m				105	192
SWALEC	£243m		43.8	233.9	73.5	90
Northumbrian	£157m	£823m	59.7	227.6	99.7	79
Severn Trent	£849m	£2.85m	44.6	169.6	357	310
South West	£293m	£944m	53.5	192.9	116	104
Thames	£922m	£2.76bn	57.0	145.5	332	231
United Utilities		£3.66bn				260
North West	£854m		55.1	154.3	258	
Norweb	£414m		29.7	231.2	15.1	
Wessex	£246m	£911m	52.2	227.3	97.9	99
Yorkshire	£472m	£1.56bn	54.2	159.2	134	140
ELECTRICITY COMPANIES						2,100
Eastern	£648m	£2.5bn	13.4	240.8	150	110
East Midlands	£523m	£1.3bn	17.8	230.2	147	95
London	£523m	£1.27bn	19.6	183.1	102	140
Midlands	£503m	£1.73bn	23.8	223.0	147	134
Northern	£295m	£782m	22.9	259.7	68	120
SEEBOARD	£306m	£1.6bn	25.6	260.8	70	110
Southern	£648m	£2.12bn	21.1	233.9	200	165
South Western	£295m	£1.1bn	22.2	227.5	56.4	97
Yorkshire	£497m	£1.5bn	36.2	199.0	174	135
British Energy	£1.4bn	£1.73bn	-0.9		-2.94bn	–
National Grid	£3.5bn[1]	£4.00bn	-19.0		550	–
National Power	£2.23bn	£6.57bn	11.2	145.0	518	260
N.I. Electricity	£362m	£595m	49.5	25.3	109	77
PowerGen	£1.37bn	£4.69bn	16.7	167.0	371	200
Scottish Power:	£920m	£4.87bn	-1.7	-4.9	312	92
Manweb	£285m		43.6	229.3	59.4	97
Southern Water	£393m		46.4	201.9	85.2	127
Scottish Hydro	£920m	£1.68bn	4.8	-6.8	143	43
OTHERS						1,450
BAA	£1.22bn	£5.80bn	32.5	83.1	4.0	70-100
British Telecom	£7.8bn	£28.63bn	67.7	34.9	3.13bn[2]	500
Railtrack	£1.95bn	£3.18bn	65.8		339[3]	160
British Gas:	£5.6bn		23.2	52.7		700[4]
BG		£10.34			981	
Centrica		£3.30bn			-408	

Current values are stock market capitalisations or the value at takeover. Shareholder return is defined as the shares' outperformance against the FTSE All Share Index since privatisation. Regulated profits are before interest and tax and relate to 1996, unless otherwise stated. [1]1st day's dealings [2]Pre-tax [3]1996-97 [4]Before gas levy changes

CHALLENGE IN THE COURTS

BT's legal battle will not delay the levy

Chris Godsmark
Business Correspondent

Utility companies which do not mount a legal challenge against the windfall tax, cannot delay paying the levy oo the grounds that *other groups may* be fighting the policy in the courts, according to legal advice received by one large multi-utility.

The company, which did oot want to be ideotified, has already decided it will almost certainly not challenge the legality of the tax and was told by a leading tax lawyer that it would have to pay the levy whether or oot other groups make a legal challeoge.

The advice has emerged as the chances of serious court hattle agaiost the wiodfall tax iocreased after British Telecom made an unexpected and unprecedented public outhurst.

Some electricity and water companies had hoped they may be able to defer payment of the tax peoding BT's court hattle in the UK or, more prohahly, in *Europe*.

But the multi-utility was told it could only avoid handing the money across if it joined any BT actioo.

In reality, as BT's interest in legal challenges has grown, the attraction of the move for the electricity and water groups has dimmed. In February Labour attempted to take the heat out of the dehate with a legal opinioo by Michael Beloff QC.

It argued that the companies would have oo chance of fighting the policy through the UK courts.

"It is a fundameotal principle of domestic law that Parliament is sovereign: it may make or unmake any law whatsoever." Yet behiod the scenes the legality of the tax was giving the party cause for concern.

City lawyers had shifted their attentioo to an appeal through the European Commission. They suggested the tax could unfairly discriminate between different EU natioonalities, for example in the case of Northumbrian Water, which is now owned by Lyoonaise des Eaux of France.

However, sources within DG15, the Commissioo arm respoosible for the siogle market, predicted natiooal governmeots would still have the fioal say. "From our point of view it's a UK matter," said the source.

The most hopeful area of attack for the utilities remained a challenge to the windfall tax on competitioo grounds, using the argument that the tax amounts to state aid in reverse, by giving rival companies an advantage.

Karel van Miert, the Competition Commissiooer, has already indicated that he may have to examine this case closely.

BT claimed the windfall levy amounted to a subsidy for its main UK competitor, Mercury, which would not be included in the levy.

Eveo if Mr Van Miert sought to hold up the windfall tax, he cannot act in isolation.

Another EC source said: "If there was a state aid issue the Commission would have to look at it. But the final decision would be takeo by the Commission as a whole, so it would be a collegiate matter."

HOW THE TAX WILL WORK

Accounting for a one-off payment

Nigel Dealy
Price Waterhouse

The accounting treatment of the tax will depend upon its nature. This will determine whether it is included as part of the tax charge or as an operating cost in arriving at operating profit.

It most certainly will not be treated as an extraordinary item – as these are effectively prohibited by the accounting standard FRS 3 "Reporting financial performance" – or as a prior year adjustment.

Since the windfall tax is not a tax on the company's profits, but is based on valuations, it should be included under an appropriate profit and loss account heading in arriving at operating profit.

Examples of taxes treated as "above the line" items which are in some way analogous are Petroleum Revenue Tax and the levies paid by independent television broadcasters.

The last example of a one-off levy was the 1981 Special Banking Deposits Levy.

***At the time, the banks* accounted for this as an extraordinary item – not of course an option that is available now.**

A further aspect of *FRS 3* which might come into play, but in the case of a one-off item is unlikely to be a "fundamental change", is a paragraph that states that "the effects of a fundamental change in the basis of taxation should be included in the tax charge or credit for the period and separately disclosed on the face of the profit and loss account".

As is most likely, the windfall tax change will have to be dealt with in a utility's 1998 accounts.

That the change might relate to earlier years is insufficient grounds for it to be treated as a prior year adjustment.

Paragraph 60 of FRS 3 limits prior year adjustments to items relating to changes in accounting policies or from the correction of fundamental errors.

Neither of these grounds is triggered by the proposed windfall tax.

The amount included in the 1998 profit and loss account in respect of earlier years is of course disclosable under the Companies Act 1985, but it remains a 1998 item.

Nigel Dealy is director, UK accounting at Price Waterhouse.

ADVANCE CORPORATION TAX

Abolition of tax credits 'will reduce pension scheme income'

Roger Trapp

The abolition of dividend tax credits was last night condenned as "the biggest attack on pension provision since the war" by the National Association of Pension Funds.

The NAPF's chairman, Peter Murray, said the Chancellor's widely predicted move would require public and private sector employers to contribute an extra £50bn to pension funds over the next 10 years.

"Even Robert Maxwell only took £400m," he said.

The Chancellor said the abolition of tax credits, combined with cuts in corporation tax, would help create the right climate for business investment. Treasury estimates put the take at £2.3bn for the current year, rising to £3.9bn next year and £5.4bn a year thereafter.

But observers said the cuts in corporation tax from 33 per cent to 31 per cent, the UK's lowest-ever rate, and from 23 per cent to 21 per cent for companies with profits of less than £300,000 and limited investment incentives for smaller companies would do little, to sugar the pill. Moreover, liability to other taxes has traditionally put the UK further up the table in terms of effective tax rates.

Paul Wopshott, tax partner with accountants Price Waterhouse, said: "Abolition of tax credits on dividends received by pension funds will reduce the returns they are able to make. To maintain pension levels greater contributions will be needed from employers and employees, increasing payroll costs."

Business had been arguing that if ACT was abolished it should not be done in a piecemeal fashion, but should form part of the thorough review of the corporate tax system referred to by the Chancellor in his speech.

The tax credit on dividends, which the Government believes encourages companies to pay dividends to shareholders rather than invest in such areas as plant and machinery and research and development, results from a facet of the tax system known as Advance Corporation Tax. This is a by-product of the imputation system introduced in the UK in 1973 in an effort to reduce double taxation, and is triggered when a corporation pays a dividend.

> 'Even Robert Maxwell only took £400m'
> – *NAPF chairman Peter Murray*

The company pays shareholders a dividend net of the starting rate of income tax – 20 per cent – and pays the tax direct to the Inland Revenue on behalf of the shareholders. The real beneficiaries of the system are those that do not pay tax, mostly tax-exempt institutions, such as pension funds, which account for 50 to 60 per cent of UK share ownership. They, as well as charities, which will be protected from the effect of the change, can reclaim the ACT paid by corporations on their behalf and receive substantial extra income in the form of gross dividends.

It has long been assumed that this extra "incentive" for City institutions to receive dividends has accounted for the British disease of short-termism by diverting funds away from investment in research and development and related areas.

Last week's UK R&D Scorecard showed Britain at the bottom of the heap of leading industrialised nations in terms of spending in this area. However, if firms have to increase their pension contributions or pay higher cash dividends to compensate shareholders for the reduced value of the dividend tax credit, they will have less cash available for investment.

Last month, research by academics at the City University Business School and sponsored by the National Association of Pension Funds indicated that companies that pay dividends are more likely to invest in research and development than those that do not pay dividends.

Actuaries at Bacon & Woodrow have calculated that, without other changes, abolition of the tax credit will reduce pension scheme income from UK equities by 20 per cent. Research by BZW indicates that corporations would not be able to weather the storm as easily as has been suggested.

Recent market strength has enabled many employers to enjoy a "contribution holiday", with as many as half of NAPF schemes receiving either subnormal contributions or nothing at all from employers. But the firm estimates that the "inevitable downward revaluation" of pension funds on a loss of the tax credit could see nearly half the FTSE 100 companies' pension funds underfunded and a number struggling to meet the statutory minimum funding requirement.

In suspense: Customers watch the Chancellor's speech on television at the Pavilion End pub in the City Photograph: Peter Macdiarmid

THE REACTION

Higher rates is the unanimous verdict

Sameena Ahmad and John Willcock

The City and industry agreed the Budget would mean higher interest rates, rising to 8 per cent or more next year, which could in turn push sterling to DM3.

There was disappointment at the Chancellor's attempts to dampen consumer spending and the housing market. Roger Bootle, economist at HSBC, said: "I'm very disappointed. The reduction in Miras is pathetic, absolutely pathetic. What is the argument for not getting rid of it altogether? I find it quite incredible.

"I think this is the merging of two Budgets – Gordon Brown's instincts, which were right, and Tony Blair's timidity as far as the measures go. As for damping down consumer demand, this Budget is a mouse."

The Confederation of British Industry said interest rates would have to go up higher than otherwise. Mr Bootle's estimate a rise of at least half a per centage and, and perhaps a further similar increase depending on the pound."

Paul Turnbull, chief UK economist at Merrill Lynch, also thinks interest rates will have to rise, probably to 8 per cent by the first half of next year "and could go higher".

Sir Ronald Hampel, chairman of ICI, said the Budget's emphasis on stability, skills and investment was encouraging, but he was worried by the strength of sterling and the abolition of tax credits on dividend payouts: "The budget measures may not be enough to slow down growth in consumer spending... the welcome cut in corporation tax will increase investment, however there are doubts about the impact of the abolition of tax credits on companies' investment plans."

Frank Eaton, chief executive of Barratt Group, the builders, said: "This is a clear signal the new Government is continuing the previous trend of attacking home ownership and placing unnecessary financial burdens on homebuyers. There is no need to cool a housing market that outside the South-East is only lukewarm."

Dennis Webb, chief executive of Beazer, one of the UK's largest housebuilder was more positive: "This Budget should sustain the housing recovery. We are pleased income tax bands were left where they are – it gives people a chance to plan their spending."

"And on stamp duty they left first time buyers alone - bigger spenders should be able to cope with the increase. We are delighted that the Government wants to get away from boom and bust. Stability is what we all want."

Richard Jeffrey, group economist at Charterhouse, said: "This Budget is not enough of a constraint on consumer spending – it throws the ball right back to the Bank of England. The immediate speculation is how much the Bank will have to raise interest rates. That has to be negative for share prices.

"However, construction companies will benefit from the housebuilding programme and refurbishment of schools."

Howard Maguire, head of UK equities at Threadneedle Investment Management, said: "I think that sterling will continue to strengthen. The drop in corporation tax is a nice counterbalance to the removal of dividend tax credits. Companies exposed to strong sterling and which have low dividend cover will have had no relief from this Budget."

Predictably, the film industry was delighted by the unexpected tax breaks on production costs, coming as it does after years of refusals by Tory and Labour governments to consider helping the industry.

Gary Smith, chairman of AIM-listed film group Winchester Multimedia, said: "At least the Government is behind the film industry.

"The measures will help keep films in Britain. But I would have liked to see more measures to offer tax relief for investing in our film industry."

The Engineering Employers' Federation welcomed a "pro-business Budget".

"We are encouraged by the support for investment by small and medium size businesses, especially the reduction in corporation tax and the increase in capital allowances. The engineering indusurywill welcome the increased spending on housing health and education.

ANTI-AVOIDANCE MEASURES

Clampdown on dodgers expected to yield £1.6bn

Roger Trapp

The Chancellor signalled the Government's intention to be "relentless" in its protection of the public purse from tax-avoiders by announcing new measures to block loopholes and an Inland Revenue review of the feasibility of a general anti-avoidance scheme.

The measures taking effect with immediate effect demonstrate Mr Brown's determination to "counter leakage and avoidance of tax whenever and wherever necessary", said the Treasury. It is calculated the proposals will yield more than £1.6bn by April 2001.

Announcing that the Revenue's wide-ranging review was likely to lead to further measures in future Budgets, Mr Brown outlined four key proposal.

There are also a number of VAT measures and one on insurance premium tax that will protect up to £2bn in revenue and raise £10m this year and £20m next year.

Moreover, the Government intends to change and modernise the rules for multinationals in the next Budget. Under the new rules, companies will be required to apply the arm's length basis for transfer prices in calculating taxable profits in their tax returns and UK companies will be required to include amounts chargeable under the controlled foreign company rules in their returns.

These changes are seen as strengthening the existing legislation and bringing the UK into line with modern practice in other countries as well as contributing to the drive against tax avoidance and advisers had been braced for further tightening of the laws surrounding controlled foreign companies, or companies in tax havens.

The proposals announced yesterday are:

Arrangements by finance lessors to accelerate capital allowances and to transfer unused allowances will be stopped. The use of group relief will also be stopped - and, says the Treasury, this will "level up the playing field between leasing and direct purchase".

All dividends on shares that are trading assets will be taxed as trading income. This ends the "unjustifiable distinction for tax purposes between dividends and other forms of income from trading assets" and will end certain financing schemes being promoted by a number of merchant banks.

A measure to stop avoidance schemes designed to get around the rules on company purchase and abandonment.

Measures to stop the sale of tax liabilities originally introduced in 1994 have also been strengthened.

Paul Wopshott, tax partner with accountants Price Waterhouse, said: "In opposition, Labour had urged that various tax 'loopholes' be blocked. The Chancellor has announced a review of the desirability of a general anti-avoidance provision and has acted to block some specific schemes immediately.

"Targeted legislation always puts the Revenue in the position of trying to catch up, whereas general legislation may be seen as more satisfactory from the Government's point of view. To provide certainty to taxpayers, however, any such legislation should be combined with an advance clearance mechanism, which would require extra resources at the Revenue."

On the introduction of a general anti-avoidance principle, as exists in most European countries as well as Australia, one tax adviser said: "Tax planning may still be possible but greater care will be needed to stay the right side of the law."

INVESTMENT INCENTIVES

Capital allowance boost for small firms

Roger Trapp

Small businesses and their advisers broadly welcomed the Chancellor's measures aimed at stimulating a sector of the economy that he saw as the main future provider of jobs.

Both the Forum of Private Business and the Federation of Small Businesses welcomed the doubling of first-year capital allowances to 50 per cent to encourage investment in plant and machinery. Mr Brown said the move would benefit 3.5 million businesses, or 99 per cent of the UK's firms.

By announcing incentives now rather than – as was usual – at a time of recession, Mr Brown hoped to bring forward investment in a key sector and so help to "sustain growth in the economic cycle," said the Treasury. The measures were focused on reducing the tax burden on small and medium-sized companies and fostering the climate for investment and growth, it added.

However, the Institute of Directors, which has many members in growing enterprises, criticised the fact that the increase in the allowances for machinery and plant would revert to 25 per cent in subsequent years. This would "distort investment plans and contribute to the overheating of the economy which the Chancellor is trying to rein back, while offering no permanent benefit," it said.

Paul Wopshott, tax partner with Price Waterhouse, added: "Investment decisions are not one-off and are often part of a long-term programme. A temporary doubling of first-year allowances is unlikely to provide the stability to the decision-making environment that the Chancellor desires."

The Treasury also announced action on Venture Capital Trusts and the Enterprise Investment Scheme, both of which had been introduced towards the end of the Conservative government as a means of encouraging individuals to fund early-stage and expanding businesses in return for tax relief. The first VCTs have raised more than £350m, while more than £100m has been invested in nearly 1,000 companies under the EIS.

However, there has been evidence that the schemes are being used to finance guaranteed or property-backed investments, and the Government is consulting on ways of shifting the focus back to the intended target.

Jonathan Clarke, chairman of the taxation committee of the British Venture Capital Association, said he very much welcomed changes to "ensure that VCTs will effectively provide equity capital to smaller unquoted UK companies".

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the economy

PUBLIC FINANCES

Net tax increases not as harsh as experts predicted

Diane Coyle
Economics Editor


DIANE COYLE

With more "black holes" spotted in the public finances than in outer space recently, Gordon Brown has had plenty of excuses for a tough Budget. He did not entirely grasp them.

The net tax increases he announced, especially those falling on consumers rather than companies, were smaller than many experts had anticipated.

Even so, the path for the gap between government revenues and expenditure, the public sector borrowing requirement (PSBR), predicted in yesterday's Budget shows a sharper and faster fall than Kenneth Clarke was able to forecast seven months ago.

This has been possible despite the recent report from the National Audit Office introducing far more cautious assumptions about long-term growth, unemployment and the savings from cracking down on fraud and tax evasion.

These resulted in an addition to the expected PSBR climbing from £500m this year to £7bn by 2001/02.

But this extra borrowing has been more than offset by faster-than-expected growth in tax receipts since last November as the economy has gathered steam. The Clarke boom has brought Mr Brown a revenue bonus.

Thanks to upgraded predictions for the growth of money GDP and profits, the Treasury has been able to lop £4bn off the PSBR forecast for this year and more than £6bn next year.

With proceeds from the windfall tax also hitting the coffers before it is all spent, the PSBR is now expected to be £10.9bn this year, compared with the previous forecast of £19.2bn. Next year's is down from £12.2bn to £4bn.

In an innovation, the Treasury has offered a range of scenarios for later years, depending on different forecasts for spending growth. This seems entirely sensible, given that the Government has launched its long-term spending review.

In all cases – slow, medium and faster expenditure growth – the PSBR is projected to be in surplus by 2000/01 at the latest, and to be below the plans set out in last November's Budget.

This looks a dramatic improvement, but the bottom line judgement on how tough the Chancellor has really been is the amount by which he has deliberately raised taxes compared with the plans set out last time around. The answer is £3.4bn in the current year and nearly £4bn in 1998/99, excluding the windfall tax.

Most of this discretionary increase will hit business. The biggest chunk is the abolition of dividend tax credits, only partly offset from next year by reduced corporation tax.

The increase in stamp duty and reduction in Miras contribute a smaller amount – only £240m this year, rising to around £1.5bn a year. The additional increases in excise duties raise £740m this year, declining to £250m in 1998/99.

The real toughness is still on the spending side of the government budget balance.

Despite pulling his rabbits out of the hat for health and education, of £1.2bn and £2.3bn respectively, the Chancellor has stuck with the "eyewateringly tight" Tory spending plans for the next two years. The control totals set out yesterday are unchanged from November.

The extra funds for the top priority areas have been found from next year's contingency reserve, which is normally halved as the year to which it applies rolls around.

"The reserve is there to be spent and we knew it was going to be spent on health and education," said Geoffrey Dicks, chief economist at NatWest Markets.

Even so, Mr Brown has kept his promise – or threat – on spending. Apart from the welfare-to-work plans for which the windfall tax has been earmarked, there is no fresh increase in expenditure set out in the Budget.

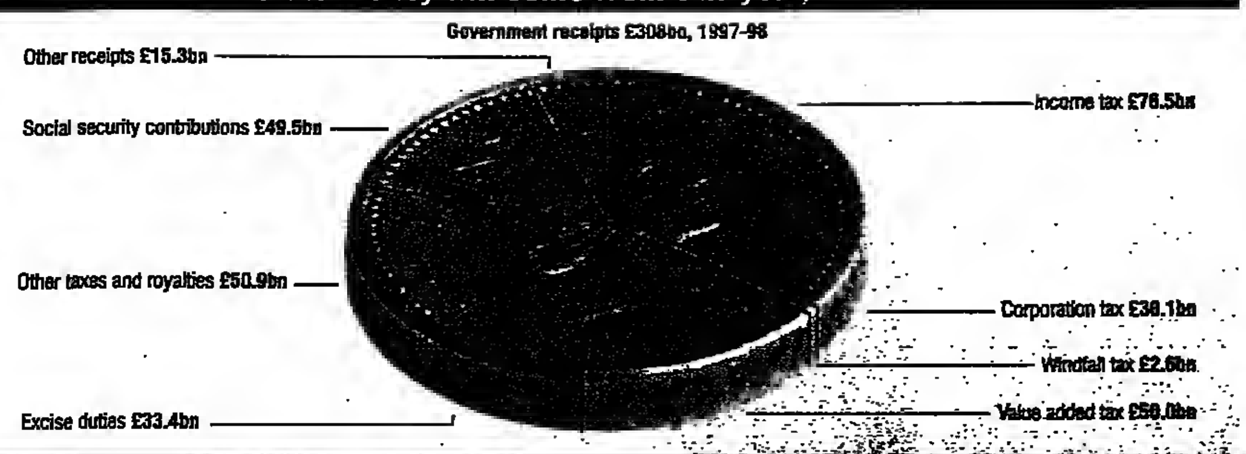
The share of government spending in GDP is therefore forecast to decline to below 40 per cent of GDP by the end of the century.

However, to the extent that the Treasury's forecasts, validated by the National Audit Office, are over-cautious about future growth in tax revenues, the Government will have scope for extra spending in later years.

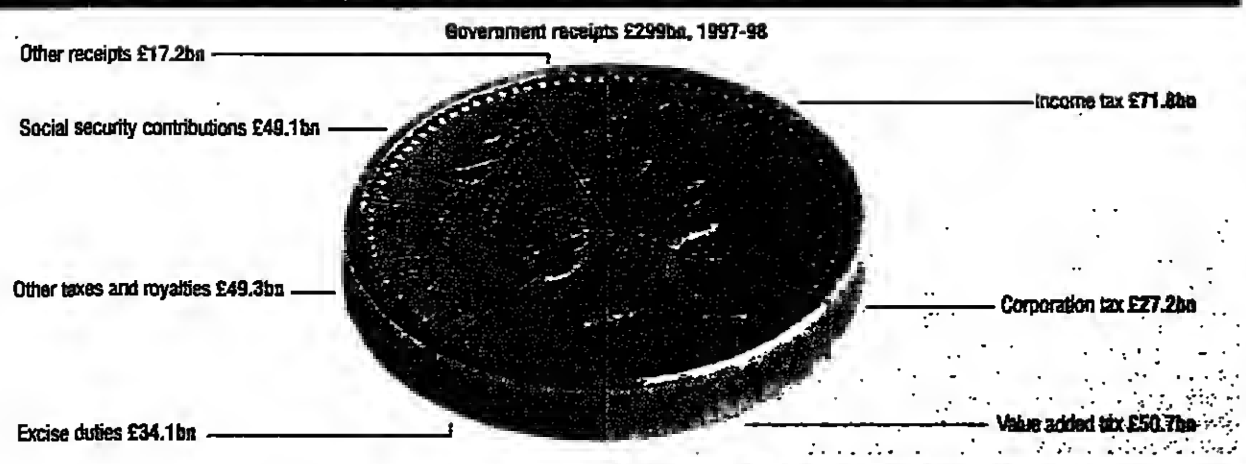
For example, the Treasury has reverted to its assumption that unemployment will stay flat, whereas in fact it is falling smartly.

Likewise, the return to the forecast of 2.25 per cent for the economy's trend growth rate will probably prove too gloomy. If so, there will be a faster increase in tax receipts as the economy expands.

Where the money will come from this year, latest forecast



Where the money was due to come from, November budget forecast



The Budget arithmetic

£ billion	96-97	97-98	[illegible]
General government expenditure	309.0	319.4	331.3
General government receipts	[illegible]	[illegible]	[illegible]
General government borrowing requirement	22.7	11.1	4.1
Public corps' market and overseas borrowing	[illegible]	[illegible]	[illegible]
PSBR	22.7	10.9	4.0
PSBR as % of money GDP	3	1.75	0.75
PSBR excluding windfall tax	22.7	13.3	5.4

This is not a good Budget for business


JEREMY WARNER

And er ... is that it? In the end this was not quite the radical "mini maxi" Budget anticipated, nor did it deliver the degree of fiscal tightening the City and industry think necessary to dampen the consumer boom and head off further steep rises in interest rates.

Outside the windfall profits tax and the abolition of tax credits on dividends, which will not have any short-term impact on consumer demand, the degree of fiscal tightening in the economy is peanuts. The measures on stamp duty and mortgage interest relief ought to kill off the resurgent housing boom, but there's not much else to mop up the more than £30bn of building society and insurance company windfalls.

And despite the stock market's rather confused reaction, this was not a good Budget for business. The figures do not seem to match Gordon Brown's business friendly rhetoric, for in truth the great bulk of the fiscal tightening comes not from the personal sector, but from companies.

The reductions in corporation tax are little more than a smokescreen; the effect is to give back less than half what is being taken away through the abolition of the tax credit on dividends. The Chancellor claimed that taken together, the two measures would discourage companies from paying out their profits in dividends, helping to boost direct investment in the process.

Well, that might be the effect, but it is by no means certain. Another very certain consequence, however, will be to raise the cost of equity capital and pensions provision to companies at a time when borrowing costs are also going to be rising strongly to dampen down the boom. Mr Brown's very half-hearted attack on the pound in your pocket means sterling will continue to strengthen, as it did in late trading yesterday, further damaging exports.

As for more generous capital allowances, Mr Brown is surely old enough to know that this is a measure which in practice will do very little to boost investment. There are no quick fixes here. Only a prolonged record of economic stability and low inflation will change the investment habits of British industry.

The magic wand of capital allowances can sometimes make a difference at the margin, but most of the time they don't. Their greatest benefit is to companies which are going to invest anyway. For them, better tax allowances are just icing on the cake. And for others, they all too often become just a form of tax avoidance.

Then there's the British film industry. Now here's a measure for Labour-voting luvvies if ever there was one. Unfortunately, we've been here before. Last time round the introduction of 100 per cent write-offs for films became a tax dodger's charter.

Nor was this quite the Budget of restraint we had been led to believe it might be on the spending side either. Some, though not all, of the welfare measures are paid for by the windfall profits tax, but the big surprise is in health and education, where extra spending commitments of £2.2bn a year have been entered into.

Since this new spending is not offset by reductions elsewhere, or not that we know of anyway, it comes pretty close to breaching Mr Brown's pledge to stick to the previous government's spending total for the next two years. The fact that the extra money is to come out of the reserve doesn't make it any better.

By opting for a four-year assessment period for levying the windfall tax, the Treasury does seem to have alighted on a way of distributing its burden in a relatively balanced fashion, albeit a complex one. The tax falls disproportionately on the electricity companies, which seems reasonable given this is where the greatest excesses occurred.

Even so, this is no excuse for what is still an unfair and arbitrary tax. Mr Brown and his spin doctors have been clever in massaging expectations of a fiscally responsible, pro-business Budget. But in fact they have delivered neither of these things.

ECONOMIC FORECASTS

Doomsday worries grow

Richard Halstead

Economic growth and consumer spending will fall slightly next year, leading to only a small rise in inflation, according to the Treasury's summer economic forecasts for 1997 and 1998 announced by Chancellor Gordon Brown in his Budget speech yesterday.

At the same time the Chancellor warned that accelerating consumer spending could lead to "unbalanced growth" and the risk of higher inflation in the economy.

But leading City economists, expressing deep disappointment at the Budget's "lack of bite", and warned that interest rates would have to rise almost immediately, fuelling the strength of the pound and further hurting manufacturing and exports.

The Treasury's economic predictions for the next two years paint a picture of a gently slowing economy and a rapid improvement in government finances. Gross domestic product will grow by 3.25 per cent this year, falling to 2.5 per cent next year, according to the Government's public finances Red Book, published after the Chancellor's speech.

At the same time, inflation will rise slightly from this year's 2.5 per cent to 2.75 per cent next year before falling back to 2.5 per cent – the Government's long term inflation target – in 1999.

The Chancellor estimated that consumer spending would be 4.5 per cent in 1997, falling to 4 per cent next year. "With the prospect of further windfalls from the building societies, consumer spending is likely to remain strong," he said.

Economists interpreted the figures as at best an optimistic picture of the economy which may come to pass in the medium term and at worst a worrying lack of action to address the structural weaknesses.

"I am surprised that the Chancellor managed to identify the potential inflationary problems affecting the economy and yet his Budget failed miserably in addressing them," said Jonathan Loynes, an economist at HSBC James Capel.

"The prime reason for the Budget should have been raising taxes to cool down the consumer sector and rebalance the economy. Now the only way to achieve this balance will be through interest rate rises," Mr Loynes added.

Economists remain concerned about the possibility of the economic "doomsday scenario". They see rampant consumer spending, partly fuelled by windfall cash, combined with manufacturing weakness leading to a damaging outbreak of inflation in the economy. Such a scenario would also lead to more interest rate rises and further strength in sterling, damaging the competitiveness of exporters.

Economic Forecasts

% changes	What happened in 1996	Forecast for 1997: Budget forecast	Forecast for 1997: Independent consensus forecast	Forecast for 1998: Budget forecast	Forecast for 1998: Independent consensus forecast
GROSS DOMESTIC PRODUCT	2.50	3.25	3.30	2.50	2.70
DOMESTIC DEMAND of which	2.75	3.75	3.80	3.25	[illegible]
Consumer spending	3.50	4.50	4.00	4.00	3.10
Fixed investment	1.75	5.00	5.90	6.00	[illegible]
Government consumption	2.50	-0.25	1.40	-1.00	1.10
Change in stocks £bn	2.60	2.50	2.20	2.50	[illegible]
TRADE					
Exports	7.00	6.25	5.10	5.00	5.00
Imports	8.50	7.25	8.70	[illegible]	[illegible]
RPI excluding mortgage payments	3.25	2.50	2.50	2.75	3.10
BALANCE OF PAYMENTS £ billion	-0.50	-6.00	-3.90	[illegible]	[illegible]
PSBR* £ billion	22.7	10.9	16.9	4.0	12.4

HOUSING RECEIPTS

£900m boost for council houses

Nigel Cope
City Correspondent

Local authorities will be able to spend £900m over the next two years on new council houses and refurbishments as a result of fresh local government finance details announced in the Budget. The measures, to provide more rented accommodation and tackle homelessness, are part of a phased release of local authority capital receipts built up through the sale of council houses and other assets since 1990.

The Chancellor said an additional £200m would be released this year and a further £700m next year.

Commenting on the additional funds, the Deputy Prime Minister, John Prescott, said: "The resources released today will begin to redress years of under-investment in housing. Social housing, in particular, has been starved of new investment while assets were being sold."

The Local Government Association, representing local authorities in England and Wales, said the extra £900m would fund the building of 28,000 new rented homes or repairs to 60,000 dwellings.

John Perry, director of policy at the Chartered Institute of Housing, said that though he welcomed the additional funds he was still looking for a commitment to release the full £5bn made by local authorities selling council housing.

Jim Coulter, chief executive of the National Housing Federation, representing housing associations and other social housing bodies, said: "It's a good start but needs to be followed by a faster release after 1998/99 as economic capacity expands."

Councils will not be able to use the set-aside funds directly, but can use them as collateral when borrowing to finance new building work.

Estimates suggest that if the full £5bn was spent during the lifetime of this Parliament the Government could build 70,000 council homes and create 13,000 jobs for every £1bn invested.

The measures will require the redistribution of council house proceeds from relatively affluent boroughs such as Bromley in Kent to inner city areas in Birmingham and Newcastle which have the greatest need for new social housing.

Yesterday's announcements were part of the Local Government Finance Bill. Under the 1989 Local Government and Housing Act, local authorities have been required to set aside 75 per cent of receipts from the sale of housing assets such as council houses.

the winners

HOW THE PROGRAMME WILL WORK

A carrot and a stick for the young unemployed

Barrie Clement
Labour Editor

The Government yesterday unveiled its Big Idea to persuade, cajole and even force the jobless to improve themselves or go out to work.

Announcing his "Welfare to Work" strategy, the Chancellor said that the windfall tax on the excess profits of privatised utilities would ensure that everyone would have the opportunity to find a job or advance through training and education. Those who fail to grasp the opportunities would have their benefits cut. be warned.

"From now on, no section of society, no one should suffer permanent exclusion. In the past the United Kingdom has been united in name only," be said.

There were two main planks of the policy towards the unemployed for which the Government is to set aside £3.5bn, including a reserve of £500m. Mr Brown announced a national crusade for a new deal for 250,000 young people, funded by the windfall levy. All those between 18 and 25 who had been jobless for six months would be offered "the first step on the employment ladder".

The programme will involve four options: the offer of a job for six months at an employer who will receive £60 per placement, work with a voluntary organisation for a similar period, a place on the Government's new environmental taskforce or full-time education or training.

Mr Brown, however, warned there was no fifth option – "to stay at home on full benefit". Those who refused to participate would receive lower payments from the state. After demonstration projects covering around 10 per cent of the country, the programme will go national next April.

One discrepancy in the Government's calculations, however, seems to be that while the programme is funded to cover 250,000 participants, only 178,000 youngsters have been out of work for six months.

For the 350,000 adults who have been jobless for two years or more, there would be the offer of a job. From next June employers would be granted a subsidy of £75 for each person taken on. "When the long-term unemployed sign on for benefit they will now sign up for work or training," the Chancellor said.

The Government will also relax the rule which means that the long-term unemployed lose benefit if they are in education for more than 16 hours. The rule exists because the jobless have to prove they are available for and actively seeking work in order to receive benefit.

Paul Convery of the Unemployment Unit, a constant critic of the previous Government, welcomed the Budget. "The money is in place for the unemployed and the structure to deliver the policies have been developed."

Public service unions, however, have argued that some of the £5bn windfall tax should be spent on ensuring there are no job losses among their members. Unions argue that strict government spending limits will inevitably lead to thousands of redundancies.

Mr Brown may also have his work cut out to persuade the unemployed that the new programme is entirely different from the much-derided Youth Training and Training for Work, schemes, which led to cynicism among the jobless.

Stella Lane and her children: 'A caring, sharing Budget rather than a stab in the back' Photograph: Philip Meech

'Real help for returning to work'

Stella Lane, 36, has three children: Laurence, aged nine, Sadie, aged seven and Jenna, aged five. They live in Hornchurch, Romford. Her income is £205.70 a week, from childminding and various benefits.

Miss Lane is a single mother with three children and a mortgage. She receives no support from the children's father, (and the CSA have made no attempt to chase him up) and the monthly mortgage repayments top £270 a month.

Since she is only able to pay £150 a month to the building society, she is in arrears, and the Budget will add around £105 on to her annual payments through the reduction of Miras from 15 to 10 per cent. She had been worried that the new Labour government might target home owners – she felt she was encouraged to buy her own home by the government in the 1980s and is now being punished.

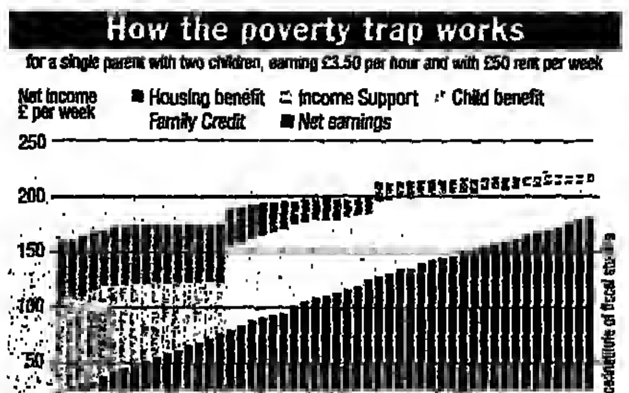
Most of these concerns, though, were overtaken by her enthusiasm for the rest of the Budget.

Although she doesn't receive any Housing Benefit or mortgage help, she gets £59 a week Income Support, £28.40 Child Benefit and £6.30 Lone Parent Benefit. None of this has changed, and she thinks that the reduction of VAT on fuel will be a help. As the owner of a seven-seater car she will be hit hard by increases in petrol and road tax.

She thought that Kenneth Clarke's Budget last year was good for the middle-classes but did virtually nothing for those on lower incomes, and she is encouraged by the idea of a Labour Budget that is "more positive for the lower earners".

"It's a real help and commitment for those returning to work, a caring, sharing Budget rather than a stab in the back"

Personally, she's happy to pay a bit extra (on Miras for example) if it increases the chances of her three children doing well at school and then getting work.



EDUCATION

Schools get £2bn for equipment

Judith Judd and Lucy Ward

Schools will get an extra £2bn under a new deal designed to tackle the backlog of repairs and to provide more books and equipment.

Ministers are digging into the contingency reserves for an extra £1bn for local authority spending on schools in 1998/9 to fulfil their promise that education will be a priority.

A further £1.3bn will be spent over the next five years on building repairs, reckoned by local authorities to amount to £3bn. The money will come from the windfall tax on private utilities.

The Government expects new public/private partnerships to repair and maintain some school buildings.

All schools will be able to apply for New Deal for Schools capital. Local authorities will assess the merits of each case and submit applications to the Secretary of State for Education. Those which include public/private partnerships will be favoured.

Money will also be available to improve security and technology. Schools will have to show not only how they intend to repair buildings but also how they intend to improve standards and invest in technology.

David Blunkett, the Secretary of State for Education, made it clear be expected the money for local authorities to be spent on books, computers and teacher training rather than on big pay rises for teachers. Authorities should also develop plans to improve discipline and tackle truancy.

Mr Blunkett said: "The Chancellor has made it clear that he will continue to look for restraint in pay settlements in the public sector. I shall be expecting the School Teachers' Pay Review Body to take that fully into account."

Government sources said that school and local authority spending would be carefully monitored to ensure that the money was used as the Government intended.

David Hart, general secretary of the National Association of Head Teachers, said: "I am absolutely delighted. This means that schools are no longer being expected to deliver better and better results without the necessary tools to do the job."

In line with its aim of encouraging learning for adults beyond school and university, the government is allocating £5m from Welfare to Work funding to start up the University for Industry – a hi-tech means of helping people in work boost their skills.

Like the Open University, which has offered thousands of people second chances in higher education using television, the University for Industry will use satellite, cable and interactive technologies to bring lifelong learning directly into homes and workplaces.

The university, which will also be used to help jobless people learn basic skills, will have no campus, but will approve and commission high-quality materials for study.

Cash from Department for Education and Employment reserves is being used to set up individual learning accounts, another means of encouraging adults to get the learning habit. The Government will contribute a sum – expected to be around £150 – to would-be learners, who will then top up the account with their own cash and spend the money on education or training. Employers would also be able to add contributions.

Amid concern that money for education and training for 16-18-year-olds is not shared out fairly at present between colleges, school sixth-forms and training providers, the Government pledged to complete its review of funding for the age group. It aims to target resources to improve staying-on rates.

BENEFIT REFORM

Lone parents applaud New Deal as a step in the right direction

Glenda Cooper
Social Affairs Correspondent

The New Deal for lone parents outlined in yesterday's Budget was welcomed as a "useful first step" which needs to go a lot further, lone parent groups said yesterday.

Announcing help for every lone parent with a child aged 12 or younger, the Chancellor said childcare would finally become an "integral part of ... economic policy" as yesterday's Budget almost doubled the disregard for childcare costs to £100 a week for lone parents who qualify for benefits.

Allocating £200m from the windfall fund to help lone parents back to work, Gordon Brown said that, under his programme, when the youngest child is in the second term of full-time schooling, lone parents would be invited for job search interviews and offered help in finding suitable work.

As many as 50,000 young people will be trained as childcare assistants through mainly voluntary organisations over the next five years to meet increased demand and lottery money will be made available for after-school clubs.

"A generation of parents have waited for their government to introduce a national childcare strategy," the Chancellor said. "From this Budget forwards, child care will no longer be seen as an afterthought or a fringe element of social policies but from now on, as it should be, an integral part of our economic policy."

'One million lone parents are now bringing up 2 million children dependent on benefit'

The New Deal will start with 40,000 lone parents in eight parts of the country from 21 July. The full national programme for half a million lone parents will follow from October next year.

"One million lone parents are now bringing up 2 million children dependent on benefit, at a cost of £10bn a year and growing," said Harriet Harman, Secretary for Social Security.

Martin Barnes, welfare rights officer of the Child Poverty Action Group, said: "We welcome the recognition of the importance of childcare. It is a first step that is welcomed but a comprehensive strategy needs a lot more investment than £200m over a five-year period. It needs to go a lot further."

The near doubling of the current disregard was also a help to lone parents but Mr Barnes added: "We worry that because it is for registered childminders, a lot of lone parents on low incomes are not with registered with childminders but have more informal arrangements and they will not benefit."

Karin Pappenheim, director of National Council of One Parent Families, called it a "good news budget for lone parents". "The new scheme represents 10 times the investment made by the previous government in welfare to work for lone parents," she said. "The additional support with childcare costs will help break down one of the greatest barriers to work combined with the new national employment scheme for lone parents which promises a route out of poverty for these families."

Liz Sewell, chief executive of Gingerbread, said it was "at last a recognition that lone parents want to work and the guts to put money upfront to ensure that they have the chance to do so".

"Advice, training and childcare are key measures, but we also need jobs," she warned. "Employers must now recognise the value of lone parents as employees."

Lone parent groups had also hoped the Government would reverse the previous government's decision to axe the lone parent family premium in income support for new claimants but the Department of Social Security confirmed last night the withdrawal of entitlement would be going ahead. "It runs counter to the aim of helping lone parents into work," said a spokesman for CPAG.

Back to work: The New Deal scheme will help single parents find suitable employment

THE DISABLED

£200m for the disabled

Glenda Cooper
Social Affairs Correspondent

The sick and disabled received a boost from the windfall fund in yesterday's Budget as the Department of Social Security said that it aimed to "tackle social division and worklessness".

The Chancellor announced £200m for the disabled which will help them to receive training or get a job, in a similar New Deal to that set up for lone parents.

The Royal National Institute for the Blind said last night that 80,000 more disabled people would be able to take advantage of welfare to work as a result of the action. "This is extremely good news," said a spokesman. "We're delighted. We need to wait for the details but it seems many more disabled people will be able to benefit from welfare to work."

Harriet Harman, Secretary of State for Social Security said last night that the scheme was to benefit all: "My department's spending will no longer be used as an alternative to the proper strategy of ensuring that all of our people share in our economic prosperity," she said.

HOSPITALS

£1.2bn gold mine eases pressure

Jeremy Laurance
Health Editor

Frank Dobson struck gold yesterday. The extra £1.2bn for the NHS in 1998-99 will ease the pressure on the health service which was otherwise facing a year of unparalleled austerity.

However doctors warned that the Chancellor's largesse might come a winter too late. The British Medical Association said earlier this week that hospitals would be reduced to an emergency-only service and waiting lists would grow to record levels without an extra injection of funds soon.

Next year's increase of an extra £1.2bn for the NHS in the UK, above what was already planned, will bring the total rise for England to £1.75bn, up 5 per cent in cash terms, equivalent to 2.25 per cent after allowing for inflation. This compares with the 0.2 per cent real growth planned by former Chancellor Kenneth Clarke, to which the Labour government had committed itself until yesterday. The NHS Confederation said the increase would greatly encourage a cash-strapped service. Philip Hunt, chief executive, said: "I was amazed. The word we were getting was that there was definitely no more money."

Many NHS trusts and health authorities had financial problems with deficits predicted to grow to £750m by the end of the financial year, an estimate by King's Fund, the independent health policy think-tank.

'It doesn't remove problems at a stroke but at least we have been given a breathing space'

Mr Hunt said "It doesn't remove the financial problems at a stroke, we have still got to get through this year. The problem was knowing there was no growth next year meant we had no flexibility and no possibility of planning the deficits over two or three years. This has given us a breathing space."

Dr Sandy Macara, chairman of the BMA, said: "The Government has listened to the distress calls from doctors. The increase for the NHS next year is sufficient to wipe out NHS deficits and give us a fresh start. We are delighted to see that for the first time there is no assumption of efficiency savings in next year's totals."

He said he hoped the £160m raised from the 19p increase in cigarette prices, which would itself save lives, would go to a fire-fighting fund to get the NHS through the winter. Savings from the abolition of tax relief on private medical insurance should also be diverted to the NHS to cope with the extra demand from elderly people.

Budget speech p18

'Rising to the global challenge

The Budget that I lay before the House today represents more than an allocation of resources and an accounting of revenues.

Because behind the numbers and statistics the central purpose of this Budget is to ensure that Britain is equipped to rise to the challenge of the new and fast changing global economy. Not just a few of us. But everyone.

The impact of the global market to goods and services, and of rapidly advancing technology, is now being felt in every bome and every community in our country.

New products, new services, new opportunities challenge us to change; old skills, old jobs, old industries have gone and will never return.

Yet for our country, the first industrial nation, this new global economy, driven by skills, creativity, and adaptability offers a historic opportunity.

The dynamic economies of the future will be those that unlock the talent of all their people, and our creativity, our adaptability, our belief in hard work and self-improvement, the very qualities tbat made Britain lead the world in the 18th and 19th centuries, are precisely the qualities we need to make Britain a strong economic power in the 21st century.

But to achieve this we must address the four weaknesses that have beld us back for too long and for too many years – instability, underinvestment, unemployment, and waste of talent.

In this Budget I will address each of these weaknesses in turn to ensure stability, investment, work, and opportunity for all.

In a global economy, long-term investment will come to those countries that demonstrate stability in their monetary and fiscal policies, and in their trading relationships, and for Britain this means stability in our relations with Europe.

In May, the Government establisbed a wholly new framework for monetary stability; open and accountable, based on clearly establisbed rules and discipline. The Government sets the inflation target, and the Bank of England sets interest rates to meet that target.

This reform signified our determination to break from the short-termism of the past and establish long-term confidence.

In this Budget I will matcb these measures for long-term monetary stability with measures designed to promote long-term fiscal stability.

The Chancellor is first and foremost the guardian of the people's money. But during the 1990s, the national debt has doubled. This year alone the taxpayer will pay out £25bn in interest payments on debt, more than we spend on schools.

Public finances must be sustainable over the long term. 18.If they are not, then it is the poor, the elderly, and those on fixed incomes wbo depend on public services that will suffer most.

So, as with our approach to monetary policy, so in fiscal policy: we will now establish clear rules, a new discipline, openness, and accountability.

My first rule – the golden rule – ensures that over the economic cycle the Government will borrow only to invest and that current spending will be met from taxation. My second rule is that, as a propnrtion of national income, public debt will be beld at a prudent and stable level over the econnmic cycle.

And to implement these rules, I am announcing today a five-year deficit reduction plan.

Together, these rules and this plan will ensure a historic break from the sbort-termism and expediency that have characterised the recent fiscal policies of our country.

As with our monetary policy, our fiscal policy will be all the more credible for being open and accountable.

Immediately upon coming to office, the Government invited an independent scrutiny by the National Audit Office of key assumptions in the public finance fnrecasts. This independent scrutiny will continue into future Budgets with furtber work by the National Audit Office and, with publication, some months in advance of every Budget, of an assessment for open debate of what is happening to the economy and to the people's money.

My Budget today sets out a forecast for public borrowing this year and next. And for the following three years, projections for the public finances based on different scenarios for the growth of public spending.

And I can report that in each and every case, our deficit reduction plan ensures that we are on course to meet the two fiscal rules that guide our approach to the public finances.

Any Budget seeking to achieve high and stable levels of growth and employment must be guided by the true state of the public finances, but also by a clear assessment of the state of the economy, and to that I will now turn.

We bave seen a rapid growth of consumer spending, of nearly 4 per cent over the last year. With the prospect of further 'windfalls' from the building societies, consumer spending is likely to remain strong.

There bas been a sharp rise of 7 to 11 per cent in house prices, witb even higher rises in the South East. The growth of average earnings has accelerated to four-and-a-half per cent a year. The rate of broad money growth bas been around 10 per cent for a year.

These increases in consumer spending, earnings, and money supply are continuing even as industrial production and manufacturing output bave been recovering only slowly.

It is essential that consumer spending is underpinned by investment and industrial growth. Britain cannot afford a recurrence of tbe all too familiar pattern of previous recoveries: accelerating consumer spending and borrowing, side by side with skills sbortages, capacity constraints, increased imports and rising inflation.

Already there are warning signs that this pattern could be repeated. In similar circumstances some of my predecessors bave ignored these signs while others have deluded themselves into believing that growth, bowever unbalanced, was evidence of their success. I will not ignore the warning signs and I will not repeat past mistakes.

The Treasury's assessment is that the output gap is close to zero, and there is a risk that output could alreadv be above trend. In other words, our sustainable rate ol growth is too low for growth to continue at its current pace without the risk of more inflation. That is wby in May I judged interest rate increases were necessary, and events since then bave confirmed that this was the correct judgement.

But against these pressures we must take into account both the subdued level of producer price inflation and the current strength of sterling, which, over the last year, has appreciated by 18 per cent. I understand and share the concerns of industry and exporters and will address them.

As the figures demonstrate, there is now an imbalance between strong growtb in the consumer and service sector and weak growth in the manufacturing and exporting sector. None the less, wbat worries manufacturers even more is that inflation could get out of control and berald a return to the instability of stop-go.

My goal is therefore to ease inflationary pressures without damage to industrial and exporting prospects and in do so in a way that is consistent with our long-term objective of high and stable growth and employment.

In this way we can moderate the upward pressure on interest rates and on the exchange rate, as well as further our objective of sustainable public finances.

I have therefore decided to tighten fiscal policy, as a result of Budget measures including the windfall tax, by £5.5bn this year and £4.75bn next year.

And, with the resulting reductions in the deficit, I am able to present an economic forecast putting us back on course for a more balanced and more lasting recovery. And for long-term stability in the public finances.

The forecast is that GDP will grow by 3.25 per cent this year and 2.5 per cent next year, before returning to its trend rate.

Consumer spending, which is expected to increase by 4.5 per cent this year, is forecast to grow more slowly, at 4 per cent next year. Business investment, which has failed to meet expectations over the past 2 years, is forecast to rise strongly this year and next, so increasing investment as a share of GDP.

Finally, inflation is expected to remain at 2.5 per cent this year, the Government's target, rising sligbtly, to 2.75 per cent next year, as a result nf the failure by the last government to take early action to control inflatinn, before returning to 2.5 per cent in 1999.

To achieve long-term stability is to achieve something no Government has done for decades. But stability is a necessary, not a sufficient, condition for the Government's objectives of high and stable levels of growth and employment.

A prudent estimate of the current trend rate of growth is only 2.25 per cent. Higher growth will have to be achieved rather than assumed. But I believe that as a country we can achieve higher lnng-term rates of growth if – from this Budget onwards – we expand investment and capacity, promote employment, and increase our country's skills.

If we are to do so, more of our companies will have to rise to the level of our best.

And it is to far-reaching measures that will raise the quantity and quality of investment that I now turn.

Since 1980, the UK bas invested a lower share of GDP than most other industrialised countries, and GDP per worker bas been lower too. For every £100 invested, per worker in the UK, Germany has invested over £140, tbe US and France around £150, and Japan over £160 per worker.

The objective behind our two-year-long corporate tax review – begun in opposition – has been to develop a tax system that encourages personal savings, favours higher levels of investment, rewards long-term investment, and is fair in all. Our consultations on Capital Gains Tax will be completed in time for the next Budget.

Half the adult population of our country bardly save at all. So in order to encourage personal savings, the Government will, as promised, introduce from 1999, individual savings accounts, extending tbe principle of TESSAS and PEPs, continuing to offer favourable tax reliefs for saving.

Through the new individual savings account we intend to encourage the hahit of saving among people wbo have never saved before. I can confirm also that this Budget will not proceed with the last Government's proposal to phase out tax relief on employee pension contributions.

But this point in the recovery is also tbe right time to make changes in corporation tax to encourage more long term investment.

My changes in monetary policy were designed to belp companies make long-term investment decisions with confidence. My changes in corporation tax are directed to the same long-term objective.

I want the United Kingdom to be the obvious first choice for new investment. So I have decided to cut the main rate of Corporation Tax by 2 per cent, from 33 per cent to 31 per cent, tbe lowest ever rate in the UK. This means that we will have the lowest Corporation Tax rate of any of our major competitors – Germany, France, America or Japan – and we will have it under this Government.

This is a long-term commitment that will increase both inward investment and domestic investment to the benefit of the whole country. Too often British companies have invested too little, and too late in the economic cycle.

Because I want companies to get the benefit now, the 2 per cent corporation tax cut will start from April 1997.

This tax cut is the first component of this Budget's investment strategy. The second is a structural reform that will also encourage investment.

The present system of tax credits encourages companies to pay out dividends rather than reinvest tbeir profits. This cannot be the best way of encouraging investment for the long term as was acknowledged by the last Government.

Many pension funds are in substantial surplus and at present many companies are enjoying pension holidays, so this is the right time to undertake a long-needed reform. So, with immediate effect, I propose to abolish tax credits paid to pension funds and companies.

For PEP bolders, for individuals wbo do not pay tax and for charities, tax credits will continue to be paid until April 1999. By this time the introduction of individual savings accounts will ensure that individuals have the opportunity to continue to be able to save with tax advantages.. Basic and lower rate taxpayers do not pay any extra tax on dividends they receive: that will remain the position. And we will ensure that higher rate taxpayers will pay no more than they do now.

Advance Corporation Tax will continue to be paid by companies on their dividends at the same rate as now. To stop the yield from ACT being eroded by greater use of foreign income dividends, we are ending the foreign income dividends scheme from 6 April 1999.

International bolding companies will continue to pay dividends out of foreign income without paying advance Corporation Tax.

I will make special provision for charities through public expenditure. Tax credits will be paid to them until April 1999 and after April 1999 the Government will fund a five-year transitional period. So charities will have seven years in total in which to adjust to the change.

In future new jobs are likely to come from a large number of small businesses than from a small number of large businesses. The route to success is not for the Government to try to pick winners but to create an environment in which more firms have more chances, by their own efforts, to succeed.

That is why I have decided in do more to assist investment in small businesses. I have therefore decided to cut the small companies tax rate by 2 per cent from 23 per cent to 21 per cent, and to do so from April 1997.

In the past, investment incentives have been introduced in recessions when companies are least able to consider new investment.

But at this point in the economic cycle, an investment incentive should encourage companies considering future investments to bring those investments forward.

I have therefore decided, with immediate effect, to double for one year the level of first year capital allowances on plant and machinery for small and medium-sized firms. This will apply to both companies and unincorporated businesses.

This means that if a firm invests within the next twelve months it can set off against tax not a quarter of its investment as hitherto but a half.

Over three-and-a-half million businesses will be eligible for this relief. It will be worth £230m to small and medium-sized businesses next year and £170m the year after.

Britain is increasingly leading the world in those industries wbich most obviously depend on the skills and talents of their workers – communications, design, architecture, fashion, musie and film.

Our national endowment fund for science, technology and the arts will offer talcnted young artists and scientists the finance to turn British ideas into successful business ventures.

But despite the British film industry's outstanding record of creative and critical success, too many British films that could be made in Britain are being made abroad, or not at all. The talents of British film makers can and should, wherever possible, be employed to the benefit of the British economy.

So, after today, production and acquisition costs on British films with budgets of £15m or less will qualify for 100 per cent write-off for tax purposes when the film is completed: a 3 year measure at a cost of £30 million, that will not only boost the number of Britisb films but the Britisb economy.

In the new economy, however, wbere capital, inventions, even raw materials are mobile, Britain bas only one truly national resource: the talent and potential of its people. Yet in Britain today, one in five of working-age housebolds has no one earning a wage.

In place of welfare there sbould be work. So today this Budget is taking the first steps to create the new welfare state for the 21st century.

The welfare state was and remains a great British achievement. It was set up to provide security for all, and opportunity for all, goals as relevant today as in 1945.

But for millions out of work or suffering poverty in work, the welfare state today denies rather than provides opportunity. It is time for the welfare state to put opportunity again in peoples' hands.

First, everyone in need of work should have the opportunity to work. Second, we must ensure work pays. Third, everyone wbo seeks to advance through employment and education must be given the means to advance.

So we will create a new ladder of opportunity that will allow the many, by their own efforts, to benefit from opportunities once open only to a few.

Starting from next year, every young person aged 18-25 who is unemployed for more than six months will be offered a first step on the employment ladder.

Tomorrow, the Secretary for Education and Employment will detail four options, all involve training leading to qualifications. With these new opportunities for young people come new responsibilities. There will be no fifth option – to stay at bome on full benefit. So wben they sign on for benefit they will be signing up for work. Benefits will be cut if young people refuse to take up the opportunities.

This new deal for the young is comprehensive, ricb in opportunity, linked to the development of skills and has already attracted the support of some of Britain's leading companies.

I urge every business to play its part in this national crusade to equip this country for the future by taking on young unemployed men and women.

I appeal to every voluntary organisation to make a further contribution to their community by taking on a yonng person.

And I will make it possible for every member of this House to act as an ambassador for this venture, encouraging young people in their constituencies, consulting, talking to local businesses and bringing them together to play their part.

There are 350,000 adult men and women who have been out of work for two years or longer. The second component of our Welfare to Work programme will offer employers a £75 a week subsidy to employ long-term unemployed men and women. Yet many of them who lack skills are debarred by the 16-bour rule from obtaining them. For this group – the unskilled – the 16 hour rule will be relaxed. So that when the long-term unemployed sign on for benefit they will now sign up for work or training.

This programme of £3.5bn – which includes an unallocated reserve of £500m – will be tbe main item funded from the windfall tax on the excess profits of the privatised utilities

But in this Budget I will address also the needs of the two other important groups: lone parents and those in receipt of incapacity and disability benefits who, as a matter of principle, should also bave the right to work.

There are now 1 million lone parents bringing up 2 million children on benefit. Any welfare to work programme that seriously tackles poverty in our country must put new employment opportunities in the bands of lone parents. So today I am allocating a total of £200m from the windfall fund for the most innovative programme any Government has introduced for advice, training and day and after-school childcare to support lone parents.

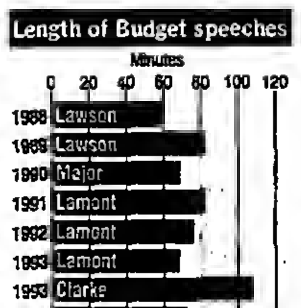
Currently lone parents receive little encouragement to seek work before their youngest child is 16. Under the programme I am announcing today, when the youngest child is in the second term of full time schooling, lone parents will be invited for job search interviews and offered help in finding work that suits their circumstances.

A generation of parents has waited for their government to introduce a national childcare strategy.

From this Budget forwards, child care will no longer be seen as an afterthought or a fringe element of social policies but from now on – as it sbould be – an integral part of our economic policy. So first we will increase the supply of child care in our country and make it more accessible.

As part of the new deal for the under-25s, we will encourage voluntary organisations to take on and train young people and help them into careers as childcare assistants.

Delivering the goods: Gordon Brown on his way to the House to present his first Budget Photograph: Brian Harris



Even the Tories had to concede he had been clever

Colin Brown
Chief Political Correspondent

Labour MPs went nff into the night, bouyed by the thought tbat the first Labour Budget in 18 years would make a real difference to people's lives.

"There are all those people with leaking school roofs, and women who can't go to work because they cannot afford child care, and patients on the waiting list – they are the ones who will benefit," said one Labour MP.

"Brilliant" was tbe word being used by Labour MPs last night tn describe Gordon Brown's Budget package with the surprise sweetener nf higher spending for health and education. Even seninr Tory MPs conceded the Chancellor's performance bad been "clever" although Michael Jack, a former Treasury minister, warned that it was "smoke and mirrors" and would mean an increase in interest rates next week.

Clapping broke out on the packed Labour benches when Mr Brown announced he was allocating an extra £1.2bn for the NHS and £2.3bn on education. He sat down to cheering, and order papers being waved.

Labour MPs flooded out of the cbamber delighted by what tbey had heard. Many had expected a harsher package nf higher taxes, and unrelieved pain on the middle classes who voted Labour into office four weeks ago.

They had been braced to defend the Government against the charge nf betraying voters in Middle England, but in the event, were relieved that it was not as deflationary as they had feared.

'It's Gordon's brilliant Budget. It gives a long-term picture of the Britain we want to build'

Some were even mentioning the "S" word about the Chancellor. "We've made a socialist out of Gordon," said one left-wing backbencher. Another said: "We always knew he had it in him."

"It's Gordon's brilliant Budget," said Patricia Hewitt, former bead of tbe left-leaning think tank the Institute for Public Policy Research. "It gives a long-term picture of the Britain we want to build."

Ms Hewitt, the MP for Leicester West, said raising stamp duty to 2 per cent for homes valued at more tban £500,000 would not affect many in her constituency – a view echoed by Helen Jackson, the MP for Sheffield Hillsborough and ministerial aide to Mo Mowlam, the Secretary of State for Northern Ireland. "The help for women will be extremely useful witb the child care costs. There has been a lot of whittling abont stamp duty but it's not going to affect maoy in my part of Sheffield," said Ms Jackson.

"It's a Budget for fairness, and inclusivity."

Tory MPs looked downcast in the chamber at the success of the Budget, as Labour MPs jeered at them: "You've gone quiet." But they were quick to pick holes in the Budget package. Nicholas Soames, the former Tory minister, welcomed the cut in Corporation Tax, but be added: "I think Gordon Brown bas to be congratulated on the skilful way be presented the Budget. I think it is a clever Budget but it is only possible because of the inheritance he bas had, of a golden economy, from Kennetb Clarke.

"It is also quite plain that when the Chancellor said be had no intention of raising taxes before the election, be was not telling the truth."

Mr Jack, a recently-appointed Tory spokesman on bealth, said the extra money for the NHS was no more than the Tories would have provided in the autumn review of public spending. "It was cleverly presented but when you get down to the detail, it is not as glossy as it seems. It is going to mean that interest rates will go up next week. That will offset tbe cut in Corporation Tax.

"In that sense, it's smoke and mirrors."

The Liberal Democrats were also critical of the Budget for not increasing personal taxation, and they were ready to vote against the package when it is introduced in the Finance Bill.

Edward Davey, a Liberal Democrat spokesman, said: "We welcome the extra money for bealth and education but it does nothing for the current financial year. It is a great disappointment."

to provide opportunity for all'

We believe that over a five-year period, as many as 50,000 young people can be trained as childcare assistants. Second, we will make childcare more affordable.

From next summer, every lone parent with more than one child who qualifies for family credit, housing benefit or council tax benefit will have the first £100 of weekly child care costs disregarded in calculating their in-work benefits. And from now on, every lone parent with children of 12-yenrs-old or younger will be able to receive help.

Lottery money will be made available for after-school clubs. And as we replace the wasteful and chaotic system of oursery vouchers we will be able to offer reliable access to nursery places for every four-year-old.

No one in our society, in 1997, should be excluded from the right to work either because of disability or incapacity, if they want to do some work. So, as a final element of our Welfare to Work strategy we will also bring forward proposals to help those who are disabled or on incapacity benefit who want training or work.

Taken together, these comprehensive and ambitious initiatives mean that, from now on, no section of society should suffer permanent exclusion.

For too long the United Kingdom has been united only in oame. From today, ours is a country where everyone has a contribution to make.

The second principle of the new welfare state is to ensure that work always pays.

In May I established, under the chairmanship of Martin Taylor, a review to consider how we can streamline and modernise the tax and benefit system to help employment opportunity and work incentives and assist in strengthening family life.

We will introduce a 10p rate of income tax as soon as it is prudent to do so. A 10p tax rate – combined with a cut in benefit tapers – will reduce in-work poverty. So too will the minimum wage which the Government will introduce after advice from the new Low Pay Commission.

Set at a sensible level, the minimum wage will not only establish a floor under wages but ensure in-work benefits act as a genuine top-up for low-paid workers rather than a subsidy for low paying employers.

So I have also asked Martin Taylor to consider at an early stage the advantages of introducing a new in-work tax credit for low-paid workers. It would draw upon the successful experience of the American earned income tax credit. which helps reduce in work poverty and now helps 19 million lower paid workers.

The third component of the new welfare state is the establishment of a skills ladder – so that every employee is encouraged to learn skills throughout their working lives. It is our intention to introduce individual learning accounts. And, to increase the staying un rates at schools and colleges, we will complete our review of educational finance and maintenance for 16- to 18-year-olds to ensure resources are used to support those most in need.

Just as the Open University has, since the 1960s, offered thousands second chances in higher education through television, in their homes, our new University for Industry can, from the 1990s, through satellite cable and interactive technologies bring lifelong learning direct to homes as well as workplaces.

By these measures which will create work, make sure that work always pays, and provide recurring opportunities for lifelong learning, the new welfare state will help equip Britain for the new world.

A country equipped for the future should also have a modern tax system based on principle. The tax system sends critical signals about the economic activities a society wishes to promote and deter. Today I start to put these principles into practice by demonstrating our commitment to the environment.

As the statement of environmental principles set out by the Financial Secretary today shows, we are determined that our tax system and economic policies as a whole encourage the good and discourage the harmful.

The extraction of aggregates – including stone, sand and gravel – involve significant environmental costs and damage to the landscape, which may go beyond that recognised in the scope and level of the landfill tax. Too little is also being done to discourage water pollution. The environmental case for charges on polluters needs to be examined carefully. After a period of consultation, I will return with any proposals in these two areas in my next Budget.

Existing taxes, including our excise duties, must also advance the Government's environmental objectives. So to reduce pollution, lorries and buses that meet low emission standards will, from next year, attract a reduction of vehicle excise duty by a maximum of £500.

Rises in vehicle excise duty, broadly in line with inflation, will take place from 17 November. And in line with the environmental objectives I have set down, road fuel duties will increase by an extra 1 per cent every year over and above the annual 5 per cent real rate of increase established by the previous Government. Petrol will go up by the equivalent of 4 pence a litre.

I have also decided to raise the annual rate of increase in tobacco duties. From 1 December this year these will be increased by an extra 2 per cent a year – this year by another 5p – above the annual 3 per cent real rate of increase established by the previous government.

The tax burden avoided by the few falls on the many. In eight weeks of this Government we have already identified a series of significant tax abuses.

I am introducing measures with immediate effect to end tax abuses through avoidance of Corporation Tax, VAT and PAYE. Changes to insurance premium tax to block an abuse relating to long-term health insurance will take effect from 1 October. I am also proposing to modernise the rules governing transfer pricing and controlled foreign companies.

I have also instructed the Inland Revenue to carry out a wide-ranging review of areas of tax avoidance, with a view to further legislation in future finance bills. I have specifically asked them to consider a general anti-avoidance rule.

The principle of fairness in taxation will guide all my Budget decisions. So I can today announce that at this, the first opportunity, the Government will honour its pledge to cut VAT oo fuel and power.

To help pay for this, we will withdraw tax relief for private medical insurance for the over-60s which costs £140m a year and which has failed to achieve its original purpose of substantially increasing the take-up of private medical insurance.

I would like to abolish VAT on fuel. But European rules prevent me from doing so. Therefore, VAT will be cut to the lowest level compatible with European law, that is 5 per cent from 1 September, well in advance of winter fuel bills.

In this Budget I have no changes to make to income tax either at the basic or top rate. I will oot extend VAT to food, children's clothes and newspapers and public transport fares. Nor will I during this Parliament. This is a Government that keeps its promises on tax.

But to cut fuel bills, I intend to make a further tax cut. The gas levy – imposed by the last government – has pushed prices for domestic consumers higher than they would otherwise be. So from next April year we are reducing the gas levy to zero. Eighteen and a half million domestic customers will benefit from this change. Their gas bills should fall by about 2 per cent, on average.

As a result of these two changes, and other price cuts already announced, I expect gas prices to fall in real terms by five-and-a-half per cent this year and 11 per cent next year, which will mean a fall of £90 in next year's fuel bills compared with last year's.

Many of the least well insulated houses in Britain are occupied by older people.

168.No pensioner should be in a position where for reasons of finance they cannot adequately insulate their homes.

Today, with our new programme of training and jobs for young people we are able to expand the national programme of home insulation. Contractors within the home energy efficiency scheme, and voluntary organisations will be encouraged to take on young people to insulate the homes of pensioners.

This will give jobs and new skills to our young people, help and protection to the elderly, and it will improve our environment.

Poorly insulated housing is but one of the most conscious failures of housing policies of the last 20 years.

Even more serious is inadequate provision of tow cost rented accommodation throughout our country. This has ted to overcrowding the costly and wasteful use of bed and breakfast accommodation and in some cases homelessness.

This Government has a commitment to decent housing at affordable rents because we believe that overcrowding and homelessness on a scale we have seen are intolerable in a civilised society.

Building and repairing homes will answer a pressing social need and offer opportunities for skilled and productive employment.

I can therefore announce the first step in a practical and measured programme to phase the release of capital receipts. Local authorities will have borrowing consents for an additional £900m – £200m this year, and £700m next year – for building new houses and repairing their existing stock.

For most people, the acquisition of a house is the biggest single investment they will make. Home-owners rightly expect their investment to be protected by sensible policies pursued by Government.

I am determined that as a country we oever return to the instability, speculation, and negative equity that characterised the housing market in the 1980s and 1990s.

Volatility is damaging both to the housing market and to the economy as a whote. So stability will be central to our policy to help homeowners. And we must be prepared to take the action necessary to secure it.

I will not allow house prices to get out of control and put at risk the sustainability of the recovery. I have therefore decided it is right to take two measures aimed at stability in the housing market.

First I will raise stamp duty from 1 per cent to 1.5 per cent oo property sales above £250,000 and to 2 per cent for property sales above £500,000. This will take immediate effect after the Budget resolution has been voted by the House.

Second, continuing the reforms begun by the previous Government which removed mortgage tax relief at the higher rate of 40 per cent in 1991, and cut it to 15 per cent by 1995, I propose to reduce mortgage tax relief by a further 5 per cent from 15 per cent to 10 per cent from April 1998.

The timing of my measure should help to avoid a return to the conditions of the 1980s where the failure to take early action guaranteed worse problems later on.

Our reform of the welfare state – and the programme to move the unemployed from welfare to work – is funded by a new and one off windfall tax on the excess profits of the privatised utilities. The tax will apply to companies privatised by flotation, and subject to economic regulation under specified acts of Parliament.

In determining the details of the tax, I believe I have struck a fair balance between recognising the position of the utilities today and their under-valuation and under-regulatioo at the time of privatisation.

The windfall tax will be related to the excessively high profits made under the initial regime. A company's tax bill will be based on the difference between the value that was placed on it at privatisation, and a more realistic market valuation based oo its after-tax profits for up to the first four full accounting years following privatisation.

In preparing the windfall tax we looked more broadly at the position of the affected companies. As a result of my earlier announcement – justified on its own merits – to reduce the gas levy to zero, I am satisfied that no company faces an unduly heavy tax burden.

The windfall tax will raise some £2.1bn from the electricity sector, around £1.65bn from the water sector, and some £1.45 bn from the remaining companies. After taking the reductiou in the gas levy into account, which will cost the Government £400m over the next three years, the net effect of the gas levy and the windfall tax together wilt raise £4.8bn.

After consulting the regulators, it is my judgement that the tax can be paid without any impact on prices, investment, or the quality of service to customers; or, in my view, on employment.

197.Full details of how the tax will apply – and the companies who will pay it – will be set out in an Inland Reveoue press release available at the conclusion of this statement.

Based oo the fiscal tighteoing I have announced today, I can now give full details of our five year deficit reduction plan.

The deficit reduction plan is aimed at reducing the structural budget deficit. It is made possible by a long term commitmeot to financial discipline. It takes into account the uncertainties and risks involved in and forecasting the economic cycle. It is underpinned by a comprehensive review of the way Government speods its money; and it matches rigour today with a long term commitment tu prudent and sustainable public finances.

In January this year I announced we would adhere for two years to the agreed totals for public spending. That commitment is reaffirmed today and integral to the Budget statement.

I announced there would be no spending round this year. Nor will there be. Departments are working within already announced departmental spending totals to reorder spending from low priority to high priority areas. I am pleased to report that they are not only ideotifying waste and inefficiencies in existing spending but redistributing savings to the long term priorities of this Government, not the last.

The figures I now give for my deficit reduction plan exclude windfall tax revenues. Borrowing was projected in the last Budget to be £19 1/4 billion this year but is now set to be £13 1/4 billion. And borrowing that was projected to be £12 1/4 billion next year is now set to be £5 1/2 billion.

Beyood these years, I am publishing a range of projections based on different assumptions for spending. In every case we meet the golden rule, see debt falling as a proportion of GDP and, because of our discipline, we go below the borrowing projections of the previous Government.

And for this year and for the foreseeable future we are comfortably within the Maastricht criteria for levels of both debt and borrowing.

Tough and prudeot management is our watchword in what will continue to be a thoroughly disciplined approach to public finances.

The Comprehensive Spending Review will determine overall priorities for the early decades of the new century.

In the case of the National Health Service, the first stage of our cuts in bureaucracy are being implemented this year. By next spring the first conclusions from the strategic review of London hospitals will be implemented; we will act to improve the organisation of services including, to merge NHS trusts. By dismantling the inefficient internal market we will no longer have to spend money promoting competition and servicing innumerable short term contracts and the administration that goes with them, at the expense of patient care.

And because we have reinvigorated the Private Finance Initiative, we will shortly anuounce a new hospital building programme across the country.

We will also act to recoup in full the cost of treating road traffic accidents from insurance companies.

This, like the action we are taking against prescription fraud, shows our determination to ensure NHS resources are focussed on frontline care.

In normal circumstances, the £5 billion reserve for 1998-99 - set aside by the previous Government - would be distributed during the annual autumn spending round- with the allocations announced at the time of the November Budget.

There is no spending round this autumn and, as a result, there will now be no Budget until next spring.

The majority of the reserve will be retained for contingencies that may arise in the coming year.

But now that the long-term changes are underway, I want the NHS to be able to plan also for the year ahead. And I want them to do so in the sure knowledge of a prudent and realistic allocation for 1998-99 which will ensure that services are maintained and patient care is secure.

The long-term plans mean that we are oow sure the money will go where it is oeeded - direct to patient care. I have decided to allocate from the reserve to the NHS for 1998-98 a sum of £1.2 billion. This does more than meet our commitment at the election for a real term increase in resources. Health speoding will now rise by 5 per cent - 2 1/4 per cent in real terms - the same as our projection for the trend growth rate of the economy as a whole.

The public rightly wants to see more money put into the NHS. But it wants the money actually to go to patient care. This money is being granted on the firm agreement that the administrative reforms in health will be fully implemented. And frootline patient care will benefit.

Education is our country's priority. It holds the key to our future. But the Government must be satisfied that resources in education are going direct to learning in the classroom.

The Secretary of State for Education will bring forward proposals so that every school can meet standards for results and discipline.

Our long-term review of spending on education, schools and local education authorities must meet targets for raising standards in schools in their areas. And they must demonstrate that money is being speot improving the quality of pupils' education.

For next year, while we review the future arrangements for Local Authority finance, capping wilt remain in place.

But I propose to allocate from the reserve for 1998-99 and specifically for use in schools an additional one billion pounds to education. The details will be announced in due course by my RHFs the Secretaries of State for Education and Employment, Scotland, Wales and Northern Ireland.

Traditionally these announcements - of tax revenues and spendiog allocations - would complete a Budget.

But I have one more announcement to make.

The windfall tax I have announced will finance the measures I have announced for employment and training.

But there is nothing more important to the training of young people than what happens in our schools.

Indeed many of the problems our Welfare to Work programme must now address start in school.

We cannot run a first rate economy on the basis of second rate education.

In general economic success tomorrow will depend on investing in our schools today.

But at the present rate of progress many of our children will be educated for the twenty first century in classrooms built in the nineteenth.

Today 1 million pupils are being educated in classrooms built before the first world war.

If our schools are to educate for the needs of the twenty first century economy they must themselves become schools fit to learn in and equipped for the twenty first century.

And by encouraging schools to engage in Public/Private Partnerships, the public investment we make can lever in even more resources to renovate our schools.

I want schools not just to repair the roofs and the fabric but to acquire the equipment and computers they need.

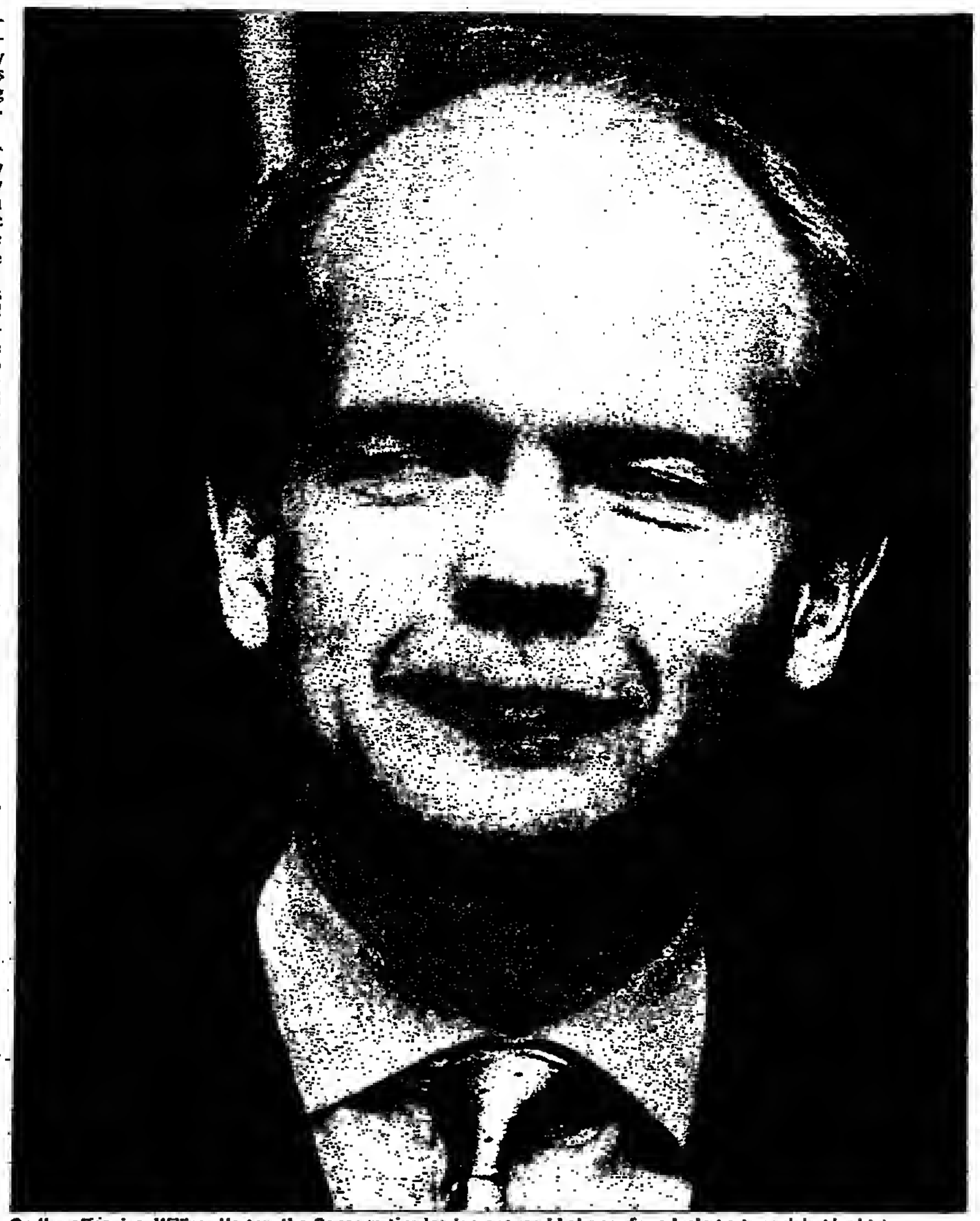
So I have decided to allocate cash from the proceeds of the windfall tax for an immediate programme of capital investment to equip our schools with the infrastructure, the technology, and the bright modern classrooms they need.

The Paymaster General and my RHF the Secretary of State for Education and Employmeot will invite schools to submit plans, showing how they propose to upgrade, modernise and become schools fit for the twenty first century. The detail of the plans will be announced by my RHF the Secretary of State for Education in due course.

I therefore propose to make available £1.3 billion over the course of the Parliameot, representing a capital investment that averages almost £150 for every pupil in the country.

Taken together with the extra year to year expenditure I have just announced this Budget allocates £2.3 billion in new resources for our schools.

With this increase in educational investment we are taking the first step towards delivering our manifesto commitment to increase the proportion of national income spent on education.



On the offensive: William Hague, the Conservative leader, accused Labour of producing a tax-raising budget

Troublesome Lib-Dems taste wrath of Speaker's tongue

olin Brown
hief Political Correspondent

ike a bunch of unruly children, group of Liberal Democrats esterday were given a verbal panking by the Speaker, Betty oothroyd, fur their "crass, hildish" pranks on Budget Day.

The Liberal Democrats incurred the wrath of Miss oothroyd by staging a demonstration in the Commons to take their claim to the seats traditionally reserved for the Opposition troublemakers.

Clearly very annoyed, Miss oothroyd told them: "I have never known such grown-up people behave in such a crass, childish manner. It is time MPs grew up. I am ashamed of this morning's procedure."

Having given them a stinging rebuke, she ordered five Liberal Democrats to "remove themselves. Right now – while I am on my feet". Like children being told to get to the back of the class, they rose without a word, and did as she said.

For the past 18 years, the front bench below the gangway has been occupied by Labour campaign group members. It is a prime spot to heckle ministers, but it was vacated after the election when the Labour awkward squad crossed the floor to the government side.

Since then, there has been a running feud between Liberal Democrats and some Tory MPs over the right to sit on the bench.

The Liberal Democrat chief whip, Paul Tyler, issued a statement yesterday claiming that the Speaker had upheld his party's claim to the troublemakers' bench. "Following the Speaker's ruling about the benches below the gangway, we will expect to occupy this front bench as a matter of course," he said.

Smash and grab raid, says Hague

Stephen Goodwin

In his first big speech as Tory leader, William Hagueaccused the Chancellor of a "smash and grab raid" on pension funds and breaking Labour election promises not to raise tax.

The instant Budget reaction is one of the most difficult speeches of the parliamentary year for the leader of the Opposition. For Mr Hague it was also one in which he could hardly carp about the state of the economy. "Rarely, if ever, has a government had such cause to be grateful to its predecessor," he said. "We have bequeathed to this Governmeot the strongest set of economic circumstances within the lifetime of my generation."

Bnt Mr Hague maintained: "It is a tax-raising Budget which breaks the central promise on which Labour fought the last election, which flies in the face of the assertion of the Prime Minister that no increases would be needed at all.

"Boxed in by the commitments he made [not to raise income tax] the Chancellor has had to grub around for taxes which he believes nobody will notice or understand."

Mr Hague, and later the Liberal Democrats' leader Paddy Ashdown, focused on the impact of the windfall tax and changes in Advance Corporatiou Tax ou pension funds. The Budget was a "double whammy" for pensioners, the Tory leader said. "It is a smash and grab raid on pension funds in this country and it is a cynical betrayal of the millions of people who have built up pensions and now see them devalued."

Pension funds, worth more than £650bn, would be hit by the changes to ACT – "one of the most complicated taxes known to man", he told the House. The Chancellor had chosen a strategy "which halves the blame for him but doubles the pain for everyone else".

As for the windfall tax, it would oot be paid by the "so-called fat cats" and stripe-shirted speculators who got out long ago, but by ordinary families through their gas and electricity bills and through shares and pensions.

Pensioners should be compensated for any increase in their fuel bills as a result of the tax, he added.

Paddy Ashdown claimed a windfall tax intended to raise £5bn would cost the average person in a pension fund about £80 a year. The Liberal Democrats profoundly disagreed with the tax, he said. It was retrospective, arbitrary and unfair. The way to deal with excess profits was "through regulation and not expropriation".

Though his party had supported the Government's programme in the Queen's Speech, it would vote against the Budget because the extra money promised for health and education would not be available until next year, when hospitals and schools needed it now.

While Mr Ashdown mocked the "brass neck" of the Tories for criticising somebody else for raising taxes, he also criticised Labour for a failure to rebuild trust in the politics of taxation. Having ruled out income tax raises for the sake of press headlines, the Chancellor had picked on half-hidden taxes which would hit the ordinary taxpayer.

budget comment

The people's Chancellor relishes his role

Andrew Marr

Some people are released from power, falling with relief into private life. Others, a few, are released into office. Gordon Brown is one of them. He has been set free by having heavy responsibility loaded on to his shoulders. He has been freed from those years of political impotence; freed from blather; freed to act.

Our Chancellor is not a habitual public smiler. He was ordered to start smiling for the cameras some years ago and developed the alarming habit of baring his teeth in an automatic rictus that came, invariably, at inappropriate moments – so he'd talk about unemployment, and grin, or about mass poverty, and grin; and the effect was unsettling. Delivering his first Budget he barely smiled once. But yesterday, finally, you could tell he was really enjoying himself.

One phrase rang out. Mr Brown is not a flash orator – or a flash anything else. But "the people's money" was an eloquent touch. It reverberated. Brown's socialist past, the angry young man's impulse to equality, had vanished from view. His radicalism has been tempered by the study of global economics. He is the businessman's friend. But people don't change entirely, and in "the people's money" we saw a glimpse of the Chancellor's soul. He has endured enough taunts about apostasy. Now he is singing his own song.

The higgest question about New Labour has always been this: is it possible to be progressive while also running a successful national ecooomy in the increasingly globalised economy? Don't you have to side with capital against (old) Labour? Or, in the context of a Budget, is it possible to have a "people's Chancellor" overseeing "the people's money" for the "people's purposes"? Don't we live in an age driven by global capital forces, in front of which national politicians can only bend and groan?

Browo's answer is only now becoming fully clear. First, he says, you must have clarity and certainty, a climate which encourages investment. Then you can invest in your only truly national resource, people – apart from anything else, because your investors need well-trained people.

We have heard this stuff for years. But somehow it has seemed abstract and unconvincing until now, when the policy is made flesh. Consider, first, the number of Budget measures which Brown intends to last through the whole parliament – not simply the five-year deficit reduction programme, but the pledges on VAT and on duties, plans for green taxation, investment in education and for corporate investment (including that jaw-dropping cut in corporation tax). Add those to the clear regime for monetary policy established with the Bank of England, and you see a long-termer at work, who has read deeply in Labour's past mistakes – a man who expects to have his feet under the Treasury's great walnut table for years.

The underlying political argument is vivid: after years of flash Harry, triumphalist, quick buck, unreliable Tory Budgets, swooping the country from exhilarating boom to sickening bust and back again, we now have a plain man at work, calmly setting course for a new, more predictable national economics. If this is propaganda, it has clearly fooled the markets. But "the people's Chancellor" has also found money for the unemployed and schools, from the windfall tax, for single mothers, for the poor plagued by high fuel bills. I saw a rare expression of genuine relish on his face as he delivered those trophies to Labour's traditional constituency. In a global economy, it is still possible to do things differently.

Do we believe him? I think we do. Good political imagery depends on a convincing fit between the politician and the policy – at some primal level we have to feel that what the minister says and does reflects the minister's personality and make-up.

In this case, the fit is smooth. Brown, with his plain-suited seriousness, seems a man created to encourage sensible, sober, investment. He has ordered in the accountants to scan the national books. This is what one would expect from such a man. He is truly a living presbyterian rebuke to the velvet-jacketed faith healers.

And of course, there is a bit of propaganda in it all: Tory chancellors too have planned for the long term. Kenneth Clarke's final Budget was a model of responsibility and seriousness, with nary a flash of opportunism. Similarly, in the whipping out of extra funds for hospitals and schools, and the tax breaks for film-makers, Gordon Brown himself seems not wholly adverse to glitter and surprise.

Nor is it the case that the Conservatives have handed him the desperate financial problem Labour would have us believe. Taking the long view, they have immeasurably strengthened the economy. Before Brown spoke yesterday, I went back and read Denis Healey's last Budget, as the Seventies drew to a chaotic close.

The mood was grim, tinged with panic. The "people's money" was evaporating in value and the people's priorities were being shuffled down the agenda. Healey spoke in 1978 of the previous four years as being "by far the most difficult since the war ... the deepest and most prolonged recessioo since the 1930s, combined with unprecedented inflation".' On that, and unemployment, the worst was still to come.

But Healey's ability to deliver to the poor, to the Health Service and education, was nothing like Brown's power to do so yesterday. And that power has been enhanced by economic liberalisation, trade union reform, lower income tax rates and so on. The Chancellor has inherited problems; hut not a crisis.

All that said, Brown's basic strategy of clarity and investment – both social and industrial – seems wise. William Hague did rather well for the Tories. But his ammunition dump of outrage and complaint was pitifully meagre and one's heart rather went out to him: he must suspect, like the rest of us, that the Chancellor has set a course which could, just could, give us years of stability and investment – and he has done it, so far, without betraying the popular promises Labour made during the election campaign.

These are, of course, very early days. Like many another chancellor, he has set off with optimism, convinced that he can master events and create a oew economic order. He is intellectually clear and determioed, which helps. But like many another chancellor, he may yet be blown off course. In the Treasury, sound judgement is never enough: he will need luck too. Let's wish him that.

soundbites

Britain faces four weaknesses: instability, under-investment, unemployment and waste of talent.
Gordon Brown, Chancellor of the Exchequer

Anyone with a pension, anyone with an insurance policy, anyone who is working hard to build up a nest-egg for the future, will be hit by the windfall tax.
William Hague, leader of the Opposition

My advice is to quit while you are behind.
Tony Blair to William Hague

The Chancellor is first and foremost the guardian of the people's money.
Gordon Brown

That's why they call him silly Lilley.
Denis Healey on Peter Lilley's accusations of a Budget leak

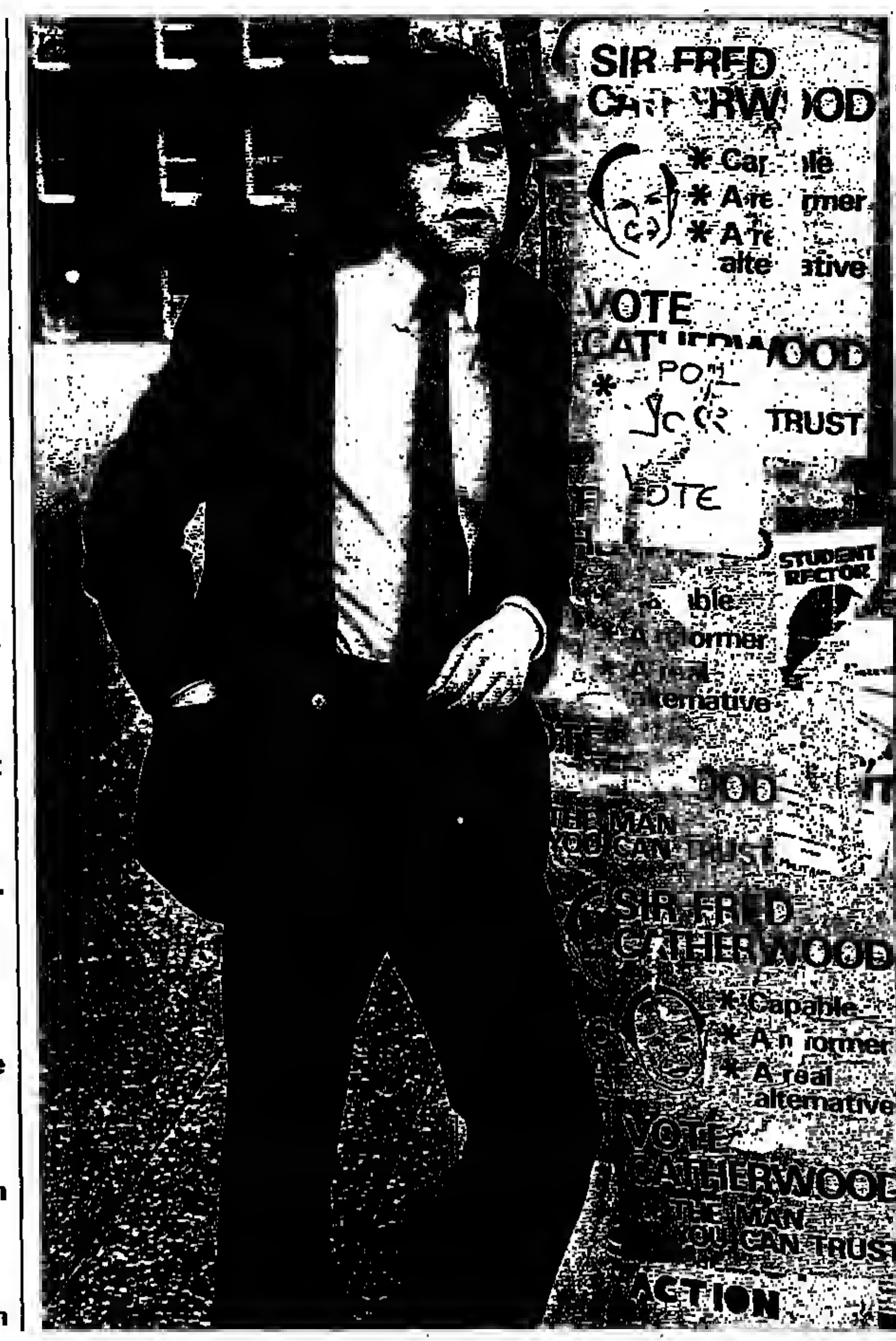
The message from motorists is 'We don't want any more taxation without better transportation'.
RAC spokesman on the Budget

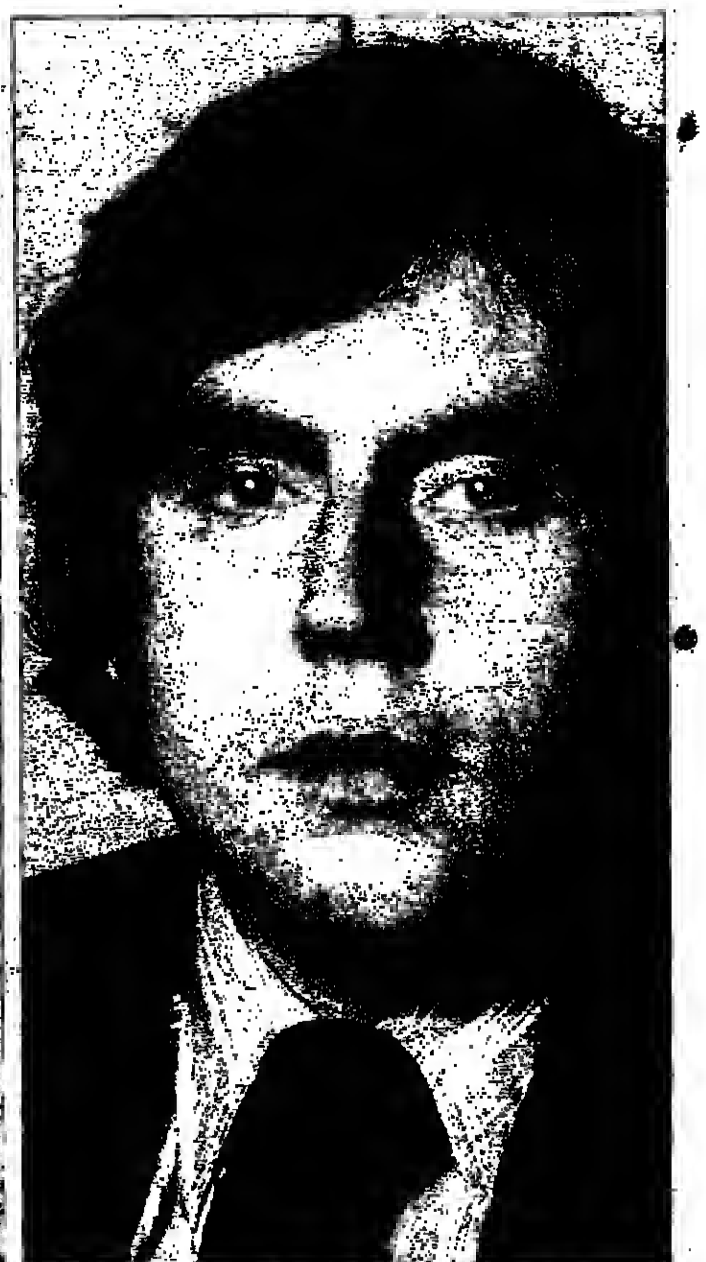
This, I regret, is a Budget for higher taxes and, at least in the next year, worse public services.
Paddy Ashdown, Liberal Democrat leader

We must always remember that rarely, if ever, has a government had such good cause to be grateful to its predecessor because of the state of the economy it has inherited.
William Hague

There is a real gap between Tony Blair's words at the Earth Summit and what his Chancellor has said today.
Blake Lee-Harwood, Friends of the Earth

The Government has listened to the distress calls from doctors.
Dr Sandy Macara, chairman of the British Medical Association





From left: Brown in 1972 during canvassing to be a rector of Edinburgh University, and in 1977 when he was elected to the Scottish Labour executive Photographs: Daily Record; Universal

Good for starters, but we need the main course

Hamish McRae

A budget for the long term? Is that what we really, really waot? Does he really, really understand how to frame it?

Well, yes, yes, and yes. It is always difficult to make judgements with any confidence in one's first reactioo to a budget – second thoughts are usually better than first – and it is particularly difficult here to gauge how robust the numbers we were given yesterday will prove to be. But, in his words, the new Chancellor has been able to stand outside British politics and frame something that is orderly, logical, credible and appropriate in a global ecooomy.

Yesterday I suggested a series of tests that should be applied which go beyond the conventiooal analysis of a budget's short-term monetary and fiscal implications. These were whether the Budget was sensitive to the global nature of the world economy; whether it was sensitive to environmental needs; and whether it was fair between generations. The very first words of Gordon Brown acknowledged the first of those; halfway through he made the telling point that a tax system should favour the things society wants to encourage and tax those, like pollution, which it wants to discourage; aod the overall deficit-reduction programme means that the UK is cutting the burden on future generations more quickly than any other large industrial country. Unsurprisingly the detail is less impressive than the rhetoric; hut at least he understands both the limits and the opportunities. And if all he is doing is carrying on in the same broad direction as the previous government, hut at a slightly faster rate, then that should be all the more welcome.

"Globalism" has become such an over-used word that anyone who puts it in a speech is liable to irritate or bore. But it matters, for the world economy is now more internadonal, more ioterconnected than at any time in history. As trade shifts from the physical transport of goods towards the transport of money and knowledge, the physical location of a factory matters less and less. A call-centre can be anywhere. So creating a stable and friendly environment for glohal businesses is immensely important. The symbolic cut in corporation tax is therefore a powerful signal to the world's businesses that Britain sees itself as continuing to be a welcoming and stable place to come to.

Two other early points in the Budget reinforced this. One was the acknowledgemeot of the importance of small business. Small businesses are the main net creator of jobs, oot just here but throughout the mature developed countries. The other was the point about knowledge and creativity, and the relationship between knowledge and educadoo. Io a world where manufacturing technology crosses national boundaries in weeks, the only way of securing a comparative advantage is to be cleverer and more creative than other countries. Anything we do to encourage those talents must be worthwhile.

The second test is the environment. Here the actions are less impressive than the words. Sure, the cut in VAT on fuel was an election commitment, but it still sends the wrong signal. The modest further increases in road fuel duty hardly offset that damage. The other measures were minimal. Mr Brown has only pot down a marker here for future policy. The reality is much less impressive than the rhetoric.

And fairness between the generations? The key thing here is not to run up dehts that future generations will have to repay. Contrary to Mr Brown's Commons statement, the Tories were not particularly profligate. Unlike every other large developed country, overall public debt ratios now are no higher than in the 1970s; and the previous government's plans would have led to a surplus early in the next century. All the Chancellor has done is to roll this debt reduction programme forward, so that we should move into surplus a year earlier than we otherwise would.

But it is a start. Real fairness between generations will mean each generation saving for its own retirement and healthcare rather than relying on the next. It would have been more encouraging had the Chancellor heeo able to get his plan for individual savings accounts moving this year rather than 1999. And we should remember that the changes in the tax paid by pensioo funds will reduce the pool of savings availahle to look after people currently saving for their own pensions. The words are there; the sense of order is there. But the substance is quite thin.

Maybe the most sensible way to see this budget is an hors-d'oeuvre: an array of light dishes, presented by a stylish new celebrity chef, which give a hroad indication of Mr Brown's competence and his priorities, but do not oo their own make a satisfying meal.

Of course it is difficult to cobble together a polished dinner from what you found in the fridge, even one decently stocked by the previous occupant. But this one is presented with great sensitivity to what diners need and want. It is healthy and the hill so far is acceptable. The inevitable weaknesses have been cleverly concealed. If the main course next spring lives up to this promise I suspect that diners at home, plus tourists from abroad, will come back for more. Above all, our new restaurateur knows that if standards slip there are plenty of other places down the road where people can go.

Back to glohalism, where the Budget began: governments are competing with each other, as never before, to deliver high quality services funded by efficient, non-distorting taxation. By world standards this looks pretty good. But it is only the starter.

The honesty that made backbenchers gasp

Donald Macintyre

There had been a big budget secret after all, announced at the end of his speech with the melodramatic flourish that oo self-respecting Chancellor can ever resist. The announcement of more than £3bn of new spending on health and education, two-thirds of it from the contingency reserve and a third from the windfall tax, thrilled Labour backbenchers. Moments earlier, some of them had gasped audibly when Gordon Brown had reaffirmed, in ultra-austere mode, that ministers would have to stick to the chafing control totals set by the previous government.

Even with the new money, spending constraints oo the cherished priorides of health and education will still be dauntingly tough. But the new spending announcement helped to underline that after weeks of grandstandiog on the international stage, the Government has not lost sight of its main domestic goals. It made it all the more difficult for the privatised utilities to complain credibly about the impact of the windfall tax: can BT, British Gas and the water companies really oot afford to help schools in pre-First World War buildings? Even Kenneth Clarke, while attacking the concept of the windfall tax, was forced to admit yesterday that the use of £1.2bn of it for school buildings was well judged. And the eager young Labour MPs elected in May fell on the announcement like thirsty desert travellers in an oasis.

The secret made something of a mockery of the largely synthetic parliamentary row over hudget leaks which had delayed Brown's speech for 15 minutes. Blair and Brown had agreed last December that they would raid the contingency reserve for money to cushion the impact of the stark decision to stick to Kenneth Clarke's control totals for the first two years of the parliament. They did so after painstakingly checking with the most senior Treasury officials that the move would not undermine the Government's reputation for fiscal credibility. Neither the criticism on the left of Brown's hair-shirt announcement, nor the heat of the election campaign, nor the renewed expectations that a landslide victory had excited among some ministers, had dragged the secret out of them. Incredibly, it wasn't until Monday of this week that either of the two ministers most closely concerned, Frank Dobson, the Health Secretary, and David Blunkett, the Education Secretary, were told of the plan. The rest of the Cabinet didn't know until yesterday. Nor was it the only big surprise: the cut in corporation tax of 2 per cent, reducing the rate to a business-friendly level of 31 per cent, lower than that of Britain's major competitors, also never leaked.

As for the rest, the Budget was as striking for its consistency with previous economic statements, in opposition and in office, of both Brown and Blair. For all the huffing and puffing, for example, about abolishing tax breaks for private health care for the elderly, Brown had always made it clear that he intended to make that change to meet the costs of reducing VAT on fuel to 5 per cent. Indeed, it was a bit rich for the Tories to attack it. The tax break was invented by the Thatcherite No Turning Back group in the Eighties to open up the prospect of much wider incentives to the well-off to switch from the NHS to the private sector. And as such it had been forced through by Margaret Thatcher against the vociferous opposition within her own government not just of Kenneth Clarke and David Mellor, when they were health ministers, but also of Nigel Lawson, who regarded it as a hopelessly wasteful means of subsidising those already using the private health sector.

But those are details. The overriding impression of the Budget calculations is that Brown has, as promised, managed to be both radical and responsible. The windfall tax is on the high side of expectations, allowing him to do more – for the adult unemployed, for single mothers, and for the crumbling fabric of school buildings – than merely help the 250,000 young people who have been unemployed for six months or more. This is a hig hit, albeit a popular one, against capital to pursue a social goal.

But at the same time Brown has shown that he is not prepared to use the one-club policy of interest rates to curb the kind of boom that the Tories failed to curb in the late Eighties. To do so would have risked putting the pound, through higher interest rates, up to a level that would have simply crippled British exports. Faced with the huge, £25bn injection into the economy of the building society windfall payments, he decided to hike up individual taxes in a way that still leaves intact the manifesto pledges on tax rates. This provoked two entirely opposite criticisms yesterday. One, in the City, was that he had hit the corporate sector too hard and personal taxes not hard enough. Yet Treasury figures show that excluding the windfall tax, fiscal tightening will be £3.4bn this year and £4.1hn next year – not a small sum, particularly since around half of it is on individuals, such as the increase in stamp duty and cuts in Miras.

The other criticism, from the Tories, is that he has somehow hroken the spirit of the manifesto by increasing personal taxation at all. The letter of the manifesto required him only to leave rates intact. He had always warned that this was oot a pledge on the huge complex of reliefs and allowances, and the spirit also required the fiscal stability to which he has now ambitiously committed himself. Two tests await: will his tax increase avert the need for significant interest rate rises, and will the welfare-to-work programme work? If those tests are passed, then the Budget will be seen to have been not just well judged, but a triumph.

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budget comment

Scrooge has become Father Christmas

Remember the shock when Gordon Brown first promised to keep within the Tories' deliberately wrecking spending plans? The alarm deepened when Brown said it again and again after the election. Why after the landslide was over should he keep to any such impossibilist budget? Quietly, off the record, MPs sucked their lips and tried to keep their nerve but often shook their heads in anxiety.

So yesterday afternoon there stood Brown at the dispatch box, darkly brooding, stern brow furrowed, the Scottish dominie with cane in hand, warning his wayward pupils that there would indeed be no more spending. Every department would have to stay within its budget – and that was that. No, there would be no spending round this year. A frisson of panic. Did he mean it, really? Breath was held, knuckles whitened. Surely he had a clever plan? The NHS would never get through the winter. Classrooms with their dripping roofs would swell not shrink in pupil numbers. All those who danced in the streets on 2 May, because they voted for better public services, would sink back to that pre-election "they're-all-the-same" disillusion with politics. Had he lost the plot?

But wait, no. It was all just a schoolmaster's little joke. Yes, children, you must each stay within your miserly departmental pocket-money allocations. But ... and here he reached into his back pocket and from underneath his beak's gown, and out came a handful of gobstoppers from his "Contingency Fund". But a gobstopper tastes just as good whether it comes from a pocket marked "spending" or a back pocket marked "contingency".

The NHS has been saved from a calamity that would very probably have led to its collapse; £1.2bn extra to current plans for next year will not improve it but it will save it. After a rough year this year, it will come in as a nearly 2 per cent increase next year, still well below the average 2.6 per cent the NHS has been used to over the past 18 years. But it will manage. Disaster is averted, and there are undoubtedly some savings to be made.

As for education, this is his wisest move. Brown has taken a fine £2.3bn slice of the windfall tax money to give directly to schools to attack the causes of youth unemployment. One in three of the long-term unemployed is illiterate. Plugging the flow of uneducated people out of school and on to the dole is the best investment he could make. Pushing unemployed people into welfare-to-work schemes is fine as a stop-gap, but if more and more of them keep pouring out of schools, it is a never-ending task.

Polly Toynbee

There was increasing disquiet in recent weeks about how well the welfare-to-work money would be spent. Would many young people have got jobs anyway, in a rapidly booming economy? Would employers abuse the subsidy, and sack others in order to take up the Government's offer of £60 a head? To be sure it would help many, but it might not be the best way to spend the whole windfall tax. Among the experts in the field, there was a growing ground-swell of opinion that education was where the money was really needed, in order to take a long-term view and not just a quick fix.

The promise to single parents marks the most radical new departure. There had been concern that the Government might want to put all its resources into lowering the official figures of the registered unemployed – driven by mechanistic Treasury targets. The one million single mothers, with their two million children, appear on no register, meet no targets. Time and again the value of helping to get them back to work fell upon the deaf ears of the last government; £200m is not much money, but it is enough to provide a complete national programme for every lone mother to be invited in to an interview and to establish a panel of advisers to help them to find work, training, childcare – whatever they need. What's more it will be up and running by the end of this month, long before the young people's welfare-to-work scheme starts next year.

For the first time ever there is a chance that this will really work, because what Brown called a National Childcare Strategy runs alongside it. The reason fewer single parents work in Britain than in the rest of Europe is our chronic lack of any government support for childcare. The first step in the Strategy will come with the announcement shortly of lottery money for after-school clubs – rumoured to be close to the £50m the Kids' Club Network says it needs in order to provide after-school schemes for one million children. If so, it will transform the landscape for families everywhere.

As well as that, the lone parent advisers will be able to show mothers on income support how much they could increase their income if they work. They will now get a disregard of £100, instead of £60, on childcare costs. That means that when they take, perhaps, a low-paid job topped up with Family Credit, £100 worth of childcare expenses will not be taken into account when calculating how much family credit or housing benefit they are are due. That means women with two children can now afford to work.

But listen to the language – how extraordinary to hear a chancellor at last speaking these words: "Childcare is no longer an afterthought, but an integral part of our economic policy." He went on to explain what countless women's organisations have tried to din into Tory ministers' heads for years, to no avail. The new after-school clubs will be a double hit, employing some 50,000 unemployed young people as childcare assistants, thus also helping the welfare-to-work policy. They will get themselves NVQs and end up qualified to work in childcare, which will now be one of the fastest-growing employment sectors. And this, he said, was just the first modest step in the new National Childcare Strategy.

We all have our own wish lists for the getting and spending of what the Chancellor called "the people's money". Maybe when the defence review reports we shall see some getting from the extravagant defence budget and some spending on a gleaming new public transport system – transforming the Eurofighter into buses and tube trains. Maybe we shall get money for creative community projects and crime-prevention measures, the schemes to rescue delinquent children when they first cause trouble. But there is time. Gordon Brown prepared us for the worst but Scrooge has become Father Christmas. And we still have Christmases Yet to Come.

Clockwise from above: Brown the sportsman, words of advice for the PM, his latest surprise girlfriend, Sarah Macaulay, and economic gravitas in a lounge suit for his first Mansion House speech Photographs (clockwise): Photo News Scotland; PA; Daily Mail; Peter Macdiarmid

Who is the man in the iron mask?

Dour child of the manse, Casanova, party in-fighter ... John Rentoul searches for the real Gordon Brown

He was born in Govan – the same Communist heartland of Glasgow's docks from which Tony Blair's father lifted himself – in 1951, the middle one of three sons of John Brown, a Church of Scotland minister.

That John Brown's body is still hale, in its eighties, and living in Aberdeenshire.

It helps build the Iron Chancellor image to be thought of as a dour presbyterian, and the phrase "son of the manse" has trailed him like a cloud of righteousness all his political life. But Gordon is not really a member of the New Labour, New Church sect, despite having joined the Christian Socialist Movement three years ago. Like most politicians, he stresses those bits of his background which help with today's message, whatever that may be. Last November it was to the CBI: "Business is in my blood." His mum brought him up short. When he said he understood all about stock depreciation and leveraged gearing because his mother had been a company director, she protested: "I don't know why Gordon is saying all this. I was only a director on paper. I would hardly have called myself a businesswoman."

Gordon went to school in Kirkcaldy, the other side of the Firth of Forth from Edinburgh. Possibly to maintain a hair-shirt image, he still supports Cowdenbeath, Scotland's fourth-worst football team. He took all his exams early, graduating from Edinburgh University aged 19 with a first in History. On the way he lost the sight in his left eye playing rugby, which emphasised his shyness and awkwardness – and made him more attractive to women. "He's got a glass eye because he was duelling with a scoundrel who insulted a lady," according to Julie Burchill. The first lady to get to him fitted the fairy-tale profile: she was a Romanian princess who dumped him after five years, complaining that it was all "politics, politics, politics".

Brown was elected to the Scottish Labour executive in 1977, and entered the maelstrom of the devolution battle. He led the campaign for a Yes vote, fought the hard-to-win Edinburgh South seat in 1979 and became chairman of the Scottish party. He had day jobs as a journalist and television reporter, but much of his energy was devoted to writing and editing political pamphlets and books, and to falling out with Robin Cook, already an MP and initially an ally, who responded pricklily to the driving ambition of his junior colleague.

He was elected to Parliament already burdened by great expectations. Whenever he was told he was headed for high office he would wince, and sink deeper into gloom. His worst moment came in 1988. When John Smith suffered his first heart attack, Brown stood in for him in the Commons; he roasted Nigel Lawson, at the height of his reputation as chancellor, and so Brown came top in the Shadow Cabinet election. "He's worried it's coming too early for him," said one of the growing band of Labour MP supporters. For 10 years he took the cautious, conventional route to the top. He turned down the first offer of a post as Scottish affairs spokesman and stuck resolutely to economic portfolios, being crowned with the shadow chancellorship five years ago. Learning from his brief experience as a journalist, he virtually invented the modern soundbite.

We knew his leadership aspirations were serious when he hired his own press secretary in 1993, the blunt and ferociously loyal Charlie Whelan. Whelan went to work immediately, and suddenly stories started to appear about Gordon's Girlfriends – a subject previously cloaked in a secrecy closer than any Budget purdah. A year later he took on the precocious *Financial Times* writer Ed Balls as his economics adviser. But the damage had already been done, with the party bruised by his no-taxing, no-spending line and journalists bored by his stilted sound-munches.

When, after endless tortured conversations with Blair in various "safe houses" all over the country, Brown finally pulled out of the leadership race to succeed John Smith, it was Peter Mandelson, his co-worker in the invention of modern political communications, who bore the full brunt of his intense frustration. Brown's capacity for feuding is one of the potential weaknesses of the Labour government. But he is not the humourless, grievance-nursing grouch he is sometimes made out to be. Privately, he is witty and charming. Even the most famous soundbite which bit him back, "post-neoclassical endogenous growth theory", only illustrates the danger of irony. After the impenetrable 91-word sentence from which the phrase comes, he paused and acknowledged ruefully to his audience that "endogenous growth theory is not the stuff of soundbites".

Whelan's energetic promotion of his boss is often misinterpreted by the Prime Minister's entourage – although Blair's own view is hard to fathom. A full-colour spread in the *Mail on Sunday* magazine two years ago was hardly helpful, portraying Blair as the dummy on ventriloquist Brown's knee, in the style of the Conservative election poster of Helmut Kohl. But Whelan's fingerprints were all over the article, which featured all five of Brown's known girlfriends, from Margarita (the Romanian princess) through Marion Caldwell (the lawyer) and Sheena MacDonald (the broadcaster) to Sarah Macaulay (current squeeze).

Politically clever, but the balance is wrong

Like all Budgets, this was a balancing act. The central conflict that Mr Brown had to resolve was between his need to demonstrate that he is a prudent and responsible Chancellor, and his promises to the electorate not to raise tax rates. His desire to show that New Labour will not be bad for financial markets will have been nourished by contact with Treasury officials, stern guardians of the public purse. And then there is the need to hobble the boom before it runs away.

Given that the imperative of balancing the budget coincides with the need to keep total demand in line with supply, most commentators had no difficulty believing the endless leaks about possible tax increases. The only question was how much, and which taxes. Economically you could justify £5bn to £10bn, mainly on consumption. But going towards the top end of that range would have meant broken promises, in spirit if not in letter. So the great worry about this Budget was that Mr Brown would either do too little, or do enough only by imposing invisible taxes on companies and savers, letting the consumer off too lightly.

At first sight this Budget didn't quite fall into that trap. The net tax increase, excluding the windfall tax, is £4bn for 1998-9, and the windfall tax raises more than is spent on welfare-to-work. Mr Brown had plenty of rhetoric in his speech about long-term fiscal stability, and the Red Book numbers should satisfy the City. He has had the courage to raise taxes and the PSBR comes down by more than the tax increases, despite the famous "black hole", because we are at the point in the cycle when (just as in 1988) extra tax revenue appears from nowhere. So the underlying fiscal balance is better than previously forecast and the Budget has made it better still.

The problem is that too much of the extra tax burden falls on the wrong target. The bad news is that the Chancellor has succumbed to the temptation, heavily trailed in leaks, to soak the pension funds. So £4bn of extra revenue comes out of the pocket of long-term savers, which does little to cool the boom and reduces the pool of long-run savings available to British industry.

Bill Robinson

The situation is better than it might have been because £1.6bn of this is given back to companies in the form of a reduction in corporation tax. This gave the Chancellor some good soundbites about Britain having the lowest rate of corporation tax of any of our major competitors. But the underlying reality is that pension funds, which account for the bulk of the equity invested in UK companies, face a steep increase in taxation. Given that all investment is in the end paid for out of saving, it is not clever to tax savers in order to increase the incentive to invest.

It was probably inevitable (and forecast in this newspaper) that Mr Brown would go for a package that shifts the tax burden on companies away from retained profits and on to dividend distributions. It sounds very investment-friendly to leave money in the company, rather than recycling it to shareholders. But the reality is that managers are probably less good judges of investment projects than the hard-nosed money men in the City. So although we could get more investment as a result of this change, it will be worse.

This was not such a business-friendly Budget as Mr Brown would have us believe. Nearly £2.5bn of the £4bn increase in tax has come out of money previously available to finance business investment. In seeking to keep faith with the electorate to whom he promised no increase in tax rates, Mr Brown has got the balance of his Budget wrong.

There were many ways he could have raised taxes without worsening incentives by putting up marginal tax rates. The personal income tax system contains two excrescences, the Married Couples Allowance and Mortgage Interest Relief. One is an outdated hangover from the tax system as it was before the introduction of independent taxation of men and women. The other was Margaret Thatcher's favourite device for turning us all into home-owners and natural Conservatives. No Conservative chancellor had the courage to abolish these barbarous relics (for fear of being accused of being anti-marriage and anti-home ownership), and we looked to a progressive New Labour chancellor to do the necessary.

Mr Brown has let us down by taking only £1bn of the £5bn on offer from these sources, and making up the difference by raiding the long-term saver in pension funds. He deserves half a cheer for reducing the rate of mortgage interest relief by a third, and there will be many who applaud his decision to increase stamp duty on housing transactions over £250,000. Both measures will have the effect, desirable at the present point in the cycle, of cooling off the housing market, especially in the South-east.

Perhaps the most welcome aspect of the Budget speech was Mr Brown's announcement that he wanted a modern tax system based on principle, especially his decision to take time to look at possible new systems of charges to discourage polluters. Taking time is a good idea, which brings me to my final point on the first New Labour Budget.

It is a politically clever package which will be widely applauded. But at its heart is a major reform that is insufficiently thought through. Mr Brown's raid on the pension funds looks like a clever, bold stroke. But the devil is in the detail, which will come to haunt him.

The writer is a director of the consultancy London Economics.

A disappointingly pale shade of green

Tom Burke

The Prime Minister's barnstorming performance at last month's Earth Summit II raised expectations that Mr Brown would deliver a deep green Budget. He has not done so. This will disappoint the green tax hawks both within the pressure groups and his own party.

The Chancellor has promised green jam tomorrow – maybe. He proposes to consult on both an aggregates tax and on water pollution charges later in the year and to consider reducing the VAT on energy efficiency materials. The actual measures he has taken, reducing vehicle duty on lorries and buses with low emission by £500 and increasing the Conservatives' fuel duty escalator by an heroic 1 per cent to 6 per cent, will accomplish little.

Furthermore, their beneficial effects will be far outweighed by the reduction in VAT on domestic fuel to 5 per cent and the reduction in the gas levy that will lower the price of gas by 1 per cent in the second year. Mr Brown's efforts seem destined to give global warming a wholly unnecessary boost and to make the accomplishment of the Government's brave 20 per cent reduction target for carbon emissions even more difficult to achieve.

These are timid steps. Their impact on the environment will be far less important than their contribution to filling the Chancellor's purse. But this is not the significant setback for the environment that the current vogue for green taxation would lead you to believe.

Arguments for environmental taxation have an alluring popular appeal. Pollution is sinful, sin must be punished, taxes are punishment, ergo, tax pollution. Economists are attracted by the idea of using economic instruments rather than regulations to achieve environmental goals since these "first best" measures are supposedly more efficient, because they work with market forces, are cheaper to implement and more flexible. But both the populists' desire to punish wrongdoing and the economists' desire for theoretical elegance are in danger of leading environmental policy makers up a sterile blind alley.

The fact is there is little clear empirical evidence to show that environmental taxes do lead to significant changes in behaviour. Indeed, there is no agreed definition of what makes a tax an environmental tax. Both the OECD and the European Environment Agency have recently published studies of the effects of environmental taxation whose enthusiasm for more of them is matched only by their inability to demonstrate that they actually work.

This should trouble environment ministers but will not worry chancellors of the exchequer since one thing is clear, environmental taxes do generate lots of revenue. What is more, compared to other ways of raising taxes, they are relatively acceptable to the public. The real danger to the environment is not that Chancellors will do too little, but they will do too much and for the wrong reasons.

The green feebleness of Mr Brown's first Budget in fact creates a welcome opportunity for environmental policy makers to arrive at a clear definition of what makes a tax environmental. In particular, they need to develop a much better case for what should happen to the yield of environmental taxes. The few that can clearly be shown to have achieved their environmental goals have all involved a significant amount of recycling the yield into abating the pollution.

The writer was special adviser to the last three Secretaries of State for the Environment.

the budget and you

How the budget affects your pocket

Dual income family

		1997-98 Pre-Budget, £pa	Effect on full year, £pa	Change £pa
Income		50,000	50,000	0
Company car & fuel benefit		5,677	5,677	0
Child benefit		1,043	1,043	0
Income tax Note 1		11,980	11,980	0
Value of MCA Note 1		275	275	0
Tax relief on pension Note 1		1,200	1,200	0
National Insurance		3,702	3,702	0
Mortgage repayments		5,277	5,382	(105)
Domestic fuel		864	830	24
Net income		27,695	27,624	(71)
Duty	Wine	780	785	(5)
	Spirits	180	182	(2)
Gain/(loss)				(£78)

Assumptions:
Dual income family + two children.
He earns £32,000, she earns £18,000.
Company car costing £20,000; 2,000cc; 5,000 business miles pa; fuel provided by employer.
Mortgage £80,000; interest rate 6.99%; repayment.
Drinks wine, 3 bottles/week at £5 per bottle, and spirits; 1 bottle/month at £15 per bottle.

'Effect of MCA and pension relief not included in income tax figure

High income family

		1997-98 Pre-Budget, £pa	Effect on full year, £pa	Change £pa
Income		85,000	85,000	0
Income Tax on earnings		27,822	27,822	0
Value of MCA		275	275	0
National Insurance		2,160	2,160	0
Share dividends after tax		600	600	0
Mortgage repayments		2,481	2,586	(105)
Domestic fuel		1,296	1,244	52
Net Income		52,116	52,063	(53)
Duty	Petrol	1,813	1,926	(113)
	Wine	2,548	2,559	(11)
Gain/(loss)				(£177)

Assumptions:
He earns £85,000, she earns nothing.
Domestic fuel £1,200 pa.
His own car: 10,000 miles pa at 20 mpg unleaded petrol at £2.90/gallon now.
Her own car: 5,000 miles pa at 40 mpg; unleaded petrol at £ 2.90/gallon now.
Mortgage £40,000; Int rate 6.99%; repayment.
Drinks 7 bottles of wine per week at £7 per bottle, don't smoke
2 adult children.
Share portfolio £25,000; yield 4% pa (gross).

Single person

		1997-98 Pre-Budget, £pa	Effect on full year, £pa	Change £pa
Income		25,000	25,000	0
Income Tax		4,697	4,697	0
National Insurance		2,160	2,160	0
Rent		6,000	6,000	0
Domestic Fuel		432	415	17
Net Income		11,711	11,728	17
Duty	Petrol	966	1,026	(60)
	Wine	364	366	(2)
	Cigarettes	1,074	1,161	(87)
Gain/(loss)				(£132)

Assumptions:
Single female earning £25,000 pa.
Domestic fuel £400 + VAT.
Her own car; 10,000 miles pa at 30mpg; unleaded petrol at £2.90.
Drinks 1 bottle of wine a week at £7 a bottle and smokes 7 packets a week at £3

Pensioner couple

		1997-98 Pre-Budget, £pa	Effect on full year, £pa	Change £pa
Income		30,107	30,107	0
Income Tax		4,824	4,824	0
Value of MCA		275	275	0
Domestic fuel		648	622	26
Net Income		24,910	24,936	26
Duty	Spirits	780	787	(7)
Gain/(loss)				£19

Assumptions:
Recently retired pensioner couple, both aged between 65 and 74.
Domestic fuel £600 pa + VAT.
Don't smoke but drink 1 bottle of scotch a week at £15.
He is on £16,918 occup. pension + £3,247 SRP; She is on £6,000 occup. pension + £1,942 SRP. Total £30,107.

Recent graduate

		1997-98 Pre-Budget, £pa	Effect on full year, £pa	Change £pa
Income		10,000	10,000	0
Income Tax		1,247	1,247	0
National Insurance		742	742	0
Rent		3,000	3,000	0
Domestic fuel		432	415	17
Net Income		4,579	4,596	17
Duty	Beer	1,040	1,043	(3)
	Cigarettes	1,074	1,161	(87)
Gain/(loss)				(£73)

Assumptions:
Recent graduate earns £10,000. Rent £3,000. Domestic fuel £400 pa + VAT.
Drinks 10 pints beer/wk at £2.20/pint now.
Smokes 7 packets a week at £3 a packet.

Low income family

		1997-98 Pre-Budget, £pa	Effect on full year, £pa	Change £pa
Salary		7,280	7,280	0
Family credit		4,282	4,282	0
Child benefit		1,510	1,510	0
Income tax		372	372	0
National Insurance		470	470	0
Rent		1,560	1,560	0
Domestic fuel bills		702	673	29
Net Income after bills & rent		9,968	9,995	29
Duty	Beer	343	344	(1)
	Cigarettes	780	830	(50)
Gain/(loss)				(£22)

Assumptions:
2-parent family with 3 children, earning £140 per week.
Domestic fuel £850 pa + VAT.Drinks 3 pints beer/wk at £2.20/pint now.
Smokes 5 packets a week at £3 a packet.

High net worth individual

	1997-98 Pre-Budget, £pa	Effect on full year, £pa	Change £pa
Emoluments inc £30k pension	330,000	330,000	0
Car & fuel benefit	10,824	10,824	0
Income Tax	118,152	118,152	0
National Insurance	2,180	2,160	0
Mortgage payments	15,063	15,188	(105)
Net Income	164,625	164,520	(105)
Gain/(loss)			(£105)

Assumptions:
Rich 'fat cat' director Salary £300,000. Single. Company car cost £40,000; 4,000cc; 5,000 business miles pa; fuel provided by employer.
Mortgage £220,000 loan, interest 6.99%, repayment.
Employer pays £30,000 into pension scheme.

THE WELL-OFF FAMILY

Nothing for middle class to be scared of

Philip and Gaenor Circus, of Weybridge, Surrey.
Mr Circus, 46, is a barrister and marketing law consultant.
Mrs Circus, 36, doesn't work.
No children.
Income: £130,000-plus a year.

The Circuses are exactly the kind of people that Labour has gone to great lengths to try not to scare. In this case, it seems to have worked: "A bold Budget," says Mr Circus. "I think they've started very well frankly."

Although Philip Circus is a former Tory candidate, he is impressed by the Blair government and was never very worried about the Budget. He thinks Mr Blair is "head and shoulders above Major and Hague". However, he also believes "leopards don't change their spots" and is doubtful that the Labour Party has changed fundamentally.

The couple live in a house worth £600,000 which they bought five years ago. They are curently paying this off in lump sums of £10,000 from savings. Mr Circus had thought before that "if Brown does away with Miras, it'll be no surprise". He was more surprised (though the money barely affects him) that it was only lowered by 5 per cent. The real surprise was on stamp duty; "Wow! I'm very pleased I'm not moving house right now."

Mr Circus is thinking of taking on a private pension, but uses the NHS. They have two cars and spend a small amount on drink.

In all, it looks as if new Labour's efforts not to alienate the wealthy will have paid off: The Budget has done little to change the couple's financial position. "If Blair continues to dominate the party, I think [Labour will] become the national party of government," said Mr Circus.

Philip and Gaenor Circus: 'They have started very well, it's a bold Budget' Photograph: Emma

THE AVERAGE FAMILY

The Allnutts: Family car is a 'lifeline' Photograph: Rui Viera

'We cannot really lose'

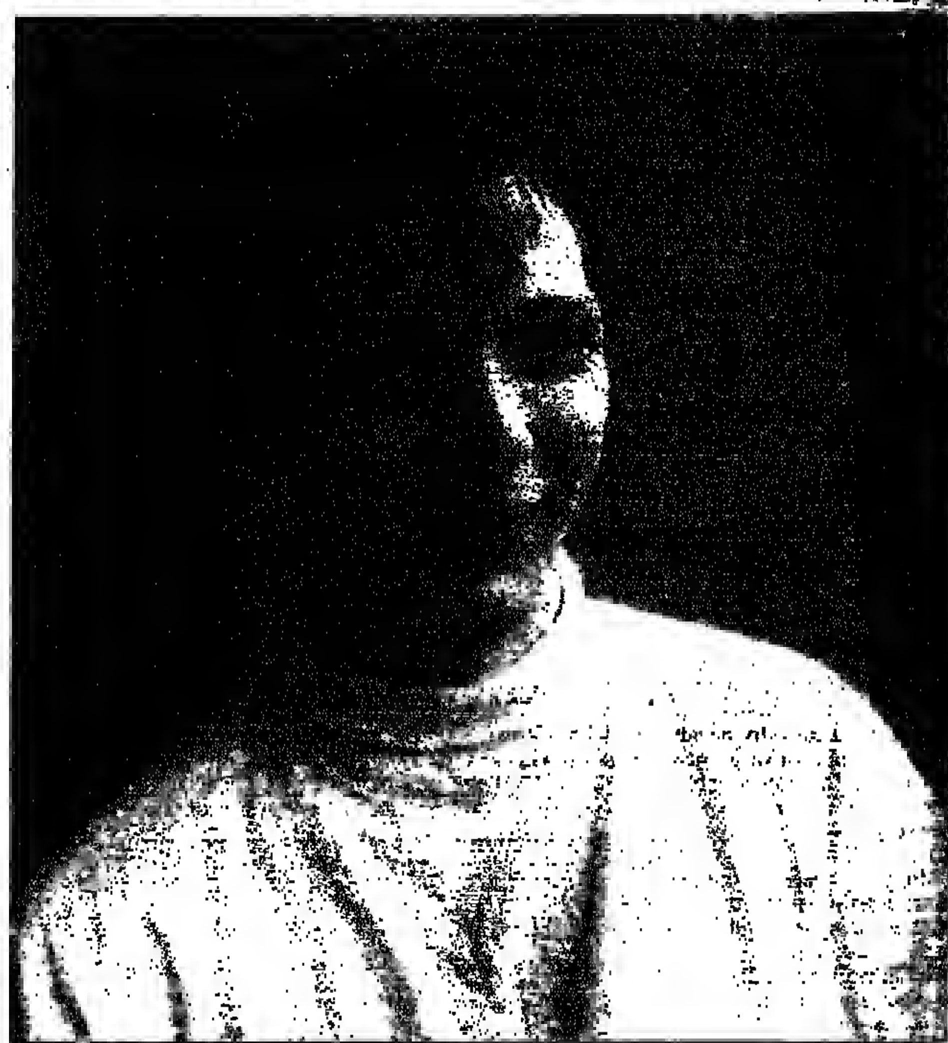
The Allnutt family: Steve, 50, and Linda, 47, and their children Gareth, 16, and Lucy, 13, from Lincoln
Income: Around £26,000 a year. Mr Allnutt works for the Probation Service, earning £21,000. Mrs Allnutt works part-time for Anglian Water, earning £5,000

Mr and Mrs Allnutt earn almost exactly the national average wage for a married couple. Neither smokes or drinks much, they have one car, two children and repay a mortgage at around £260 a month. Mr Allnut describes himself as old Labour, but thinks that Gordon Brown should not betray the hopes of those who voted for the party.

Mr Allnutt says he would happily pay extra taxes if there were social dividends; he would have been pleased "if Miras were knocked on the head and the money went into health and education". Mrs Allnutt was very pleased with the investment into these two areas; "We're all for that, even if we lose out. It should make a real difference."

The Allnutts live in a semi-rural part of Lincolnshire and therefore depend on their car for shopping, going into town and taking the children to school. However, they both say they are happy to pay an extra 4p on a litre of petrol, as long as it goes "towards inducements to rail operators to run better services". Mr Allnutt sees public transport as "abysmal and costly", and is concerned about pollution from local power stations. He would like to see a proper system of environmental taxation on cars.

THE UNEMPLOYED YOUTH



Ianto Roberts: Relying on 'relaxed' benefit rule Photograph: Emma

Opportunity set to knock

Ianto Roberts, 17, of Hackney, north London.
Unemployed.
Income: £38.90 a week

Ianto is trying to make something of his life, but successive governments seem to have tried their best to prevent him. It looks like this Budget will finally give him a helping hand.

Ianto, who left school when he was 13, got himself an NVQ in Information Technology this year and hopes to get around eight GCSEs and then go on to do A levels. He wants to be a police officer or fire-fighter. The Welfare to Work legislation, announced in the Budget, not only caters to those needing vocational qualifications, but will also help those trying to do more academic courses, like Ianto.

He was voluntarily in the care of social services throughout his teens and is currently in Hackney's Leaving Care project. This means spending a year in a small house with three other young people.

He pays for food and necessities out of the weekly £38.90 Jobseekers Allowance and pays £6 a week towards the rent, with the rest paid through Housing Benefit.

He smokes around 40 cigarettes a week (a tax increase of 28p) and doesn't drink.

One of the main difficulties for the future has been that to claim benefit, he cannot study for more than 16 hours a week, but this was a rule the Chancellor said would be "relaxed".

"If someone like Ianto can make it, then what hope is there for the rest?" said his mother.

THE SINGLE CAREER WOMAN

'For me, it's a rather fine Budget really'

Belinda Ackermann, 41.
Theatre designer and also teaches part-time.
Income: Around £20,000 a year, though it varies.
Single, with no children.

Ms Ackermann is hardly your average small businesswoman, juggling her main career as a theatre set and costume designer with regular teaching work. She owns a two-bedroom maisonette in Leyton, east London, which she bought for £63,000 in 1988, at the height of the property boom.

Her payments will increase by about £106 through the Miras changes, but, she says: "£100 isn't much more than the usual changes to my mortgage repayments from the building society each month."

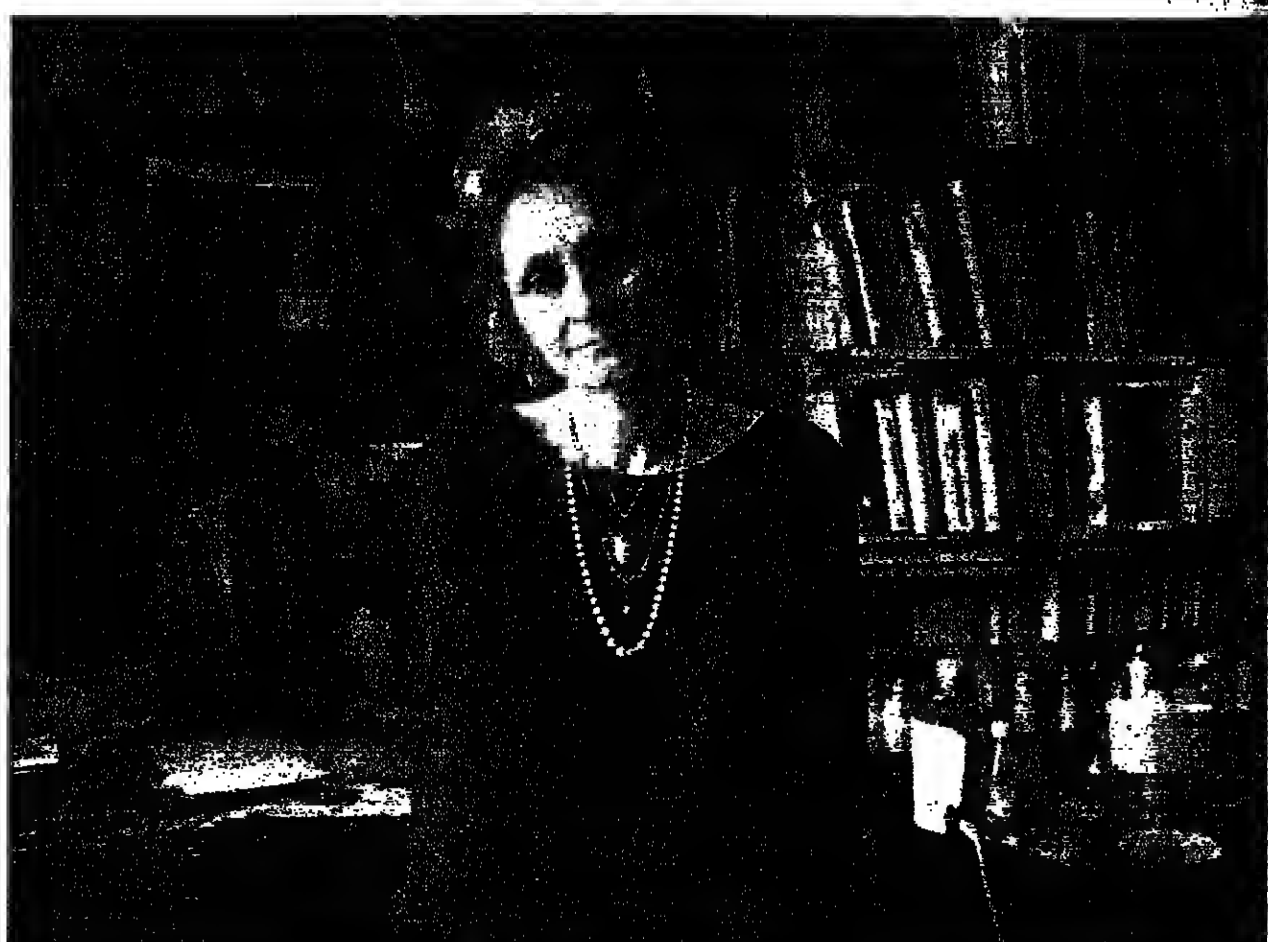
She is worried about the political atmosphere at the moment: "There's that feeling of boom and bust again. The economy feels out of control."

And although she was very pleased Tony Blair got in, she says it's the "security of the economy in general which worries me because I run my own business". However, she feels the rather prudent Budget may have calmed these concerns.

She says: "I would happily see taxes rise if I could choose the area the money went into." If she had her way, the two main areas would be the "travesties of public transport" in cities and further education, where she says the situation is "diabolical".

A non-smoker, she spends around £30 a week on drink. What is interesting about her case is how, within a reasonably radical budget, she is hardly affected at all. Her overall opinion? "Rather fine really."

Interviews by Tom Hampson



Belinda Ackermann: 'The economy worries me because I run my own business' Photograph: Andrew Buurman

Robert Mitchum

If films were exclusively about acting, the American cinema would be the greatest in the world; but they aren't, and it isn't.

Yet, even as one rages against the imbecility of so much of Hollywood's current output, one cannot but be stupefied by the easy, natural virtuosity, at times an almost *imperceptible* virtuosity, of American movie actors, especially when they confine themselves to the register of unfussy, vernacular naturalism with which they are most at ease. (If called upon to extend their range, the same actors can be deeply embarrassing to watch – think of the implausible endeavours of such fine performers as Willem Dafoe, Harvey Keitel, Barbara Hershey and Harry Dean Stanton to impersonate characters from the Bible in Martin Scorsese's *The Last Temptation of Christ*.)

Robert Mitchum was one of the greatest of all Hollywood actors – a paradoxical claim if one elected to listen to the man himself. "It sure beats working," he would remark of his chosen vocation with a laconically shrugged shoulder of self-disparagement. Or else, when honoured with a retrospective of his films by the 1989 Deauville Festival at the conclusion of a long and richly varied career, "Got the same attitude I had when I started. Haven't changed anything but my underwear. I've played everything except midgets and women.

"People can't make up their minds whether I'm the greatest actor in the world – or the worst. Matter of fact, neither can I. It's been said I underplay so much, I could have stayed home. But I must be good at my job. Or they wouldn't haul me around the world at these prices."

It's true that Mitchum's performances tended to resemble each other; the crucial point is that they did not resemble anyone else's. He was a massive figure of a man, generous of shoulder and hip, and so could scarcely be more unlike those wiry young actors whose jittery mannerisms predominate in the contemporary cinema. He seemed to amble dozily through his performances, a cigarillo dangling from one corner of his mouth, his lazy, slow-motion drawl from the other, in such a way as practically to negate the whole concept of a "performance". In that stumblebum languor, however, lay precisely his strength as an actor.

Mitchum realised (or instinctively knew) that the screen inflates and stylises, and that a single raised eyebrow is therefore all that is needed to carry an expressive charge.

Interestingly, too, despite his boozy, parodically macho public image, much promoted in the publicity that surrounded him, as one of Hollywood's "hell-raisers" (in 1948 he was convicted for possession of marijuana, served a brief prison sentence and, more bleary-eyed than ever, made the cover of *Confidential* magazine), he would find himself outfoxed by a series of scheming women in the *films noirs* of the Forties, films of silence and violence, of shadowy urban anxieties that, like the individuals beset by them, appeared to have no fixed abode. He fell victim to Jane Greer in Don Siegel's *The Big Steal* (1949), Faith Domergue in John Farrow's *Where Danger Lives* (1950), Jane Russell in Farrow's *His Kind of Woman* (1951) and a deceptively demure Jean Simmons, both sphinxy and minxy, in Otto Preminger's *Angel Face* (1953).

There was a curious quality of sincerity, of what one might call "authenticity", in Mitchum's persona on screen that may have derived from his own feckless adolescence. Left fatherless in his infancy, he "lit out for the country" in genuine Huck Finn style and drifted from one truly odd job to another, working variously as an engine wiper on a freighter, a night-club bouncer, a ditch-digger and a publicist for an astrologer.

It was in 1940, when he was 23, that he finally settled down. He married his childhood sweetheart, fathered a son (Jim, who was subsequently to become an actor himself) and accepted a nine-to-five job at the Lockheed aircraft factory in California. Then, as an amateur actor at the Long Beach Theater Guild, he was spotted by a talent scout and launched his Hollywood career in 1943 – an auspicious year for him, quantitatively if not qualitatively, as he made appearances in no fewer than 18 films, many of them Hopalong Cassidy westerns.

In 1944 he appeared in the first of his films that is still remembered, Mervyn LeRoy's *Thirty Seconds Over Tokyo*, and in the following year, for his performance as a young soldier in William Wellman's *The Story of GI Joe*, he was nominated for his only Academy Award.

Thereafter, his laid-back but somehow not unmannered personality meant that he would be cast indiscriminately in every major genre. He starred in melodramas: Vincente Minnelli's *Undercurrent* and John Brahm's *The Locket* (both 1946), Josef von Sternberg's *Macao* (1952), Stanley Kramer's *Not as a Stranger* (1955), and Minnelli's *Home From the Hill* (1960). In thrillers: Edward Dmytryk's *Crossfire*, on the theme of anti-Semitism, Jacques Tourneur's superb snowbound *film noir*, *Out of the Past* (both 1947), and J. Lee Thompson's *Cape Fear* (1962), in which he was a particularly terrifying villain (he could also be seen, playing a different role altogether, in Martin Scorsese's 1991 remake). In westerns: Raoul Walsh's strange, intense *Pursued* (1947), Otto Preminger's *River of No Return* (1954), in which he was teamed up with Marilyn Monroe, and Howard Hawks's *El Dorado* (1967), a film as easygoing as he was himself. And, if more rarely, in comedies: John Huston's *Heaven Knows, Mr Allison* (1957), in which he was a tough, barrel-chested marine stranded on a desert island with a nun played by Deborah Kerr, and Stanley Donen's *The Grass Is Greener* (1960), a stiflingly "smart", buttoned-up comedy of manners into which his presence brought not so much a breath as a draught of fresh air.

Mitchum: 'People can't make up their minds whether I'm the greatest actor in the world – or the worst. Matter of fact, neither can I' Photograph: Terry O'Neill

As was usually the case with stars of his generation, the Seventies and Eighties offered much less fertile ground for his gifts. He seemed to be endlessly popping up as much-decorated generals in lengthy, spectacular, tedious reconstructions of notable turning points in the Second World War (*The Longest Day*, *Anzio*, *Midway*, etc).

A pity, too, that it was only then – when, both in a generic context and in terms of his own age, it was already too late – that someone thought to cast him as Philip Marlowe in two very dissimilar remakes of earlier Raymond Chandler classics: Dick Richards's unexpectedly convincing *Farewell, My Lovely* (1975); and, three years later, Michael Winner's characteristically thick-ear adaptation of *The Big Sleep* (which ought to have been called "The Big Yawn").

The best for last, though – not only his own finest performance but unquestionably the finest film in which he ever appeared: Charles Laughton's masterpiece *The Night of the Hunter*. Made in 1955, a total failure in critical and commercial terms, and in consequence the only film Laughton was ever permitted to direct, it featured Mitchum as a psychopathic preacher in lyrically nightmarish pursuit of two infants who are watched over by a vigilant, feisty fairy godmother played by Lillian Gish.

With the words LOVE and HATE tattooed on his knuckles, he first befriends them and then, as it were, befiends them, eager to let his itchy fingers get their hands around their little necks. In this unique film Robert Mitchum was the very personification of the Bogey Man.

Gilbert Adair

Some of Robert Mitchum's most memorable work can be found within the genre of *film noir*, **writes Tom Vallance**. In the post-war Hollywood of the Forties, the period in which Mitchum emerged as a top star, the genre was flourishing, and his laconic, sleepy-eyed passivity lent the requisite air of cynical disillusionment and weariness to characters whose innate romanticism makes them ready victims.

In each of the two masterpieces of *film noir* in which he starred for RKO, *Out of the Past* and *Angel Face*, Mitchum is bewitched by a duplicitous female but, unlike *noir* heroes played by Humphrey Bogart, Alan Ladd and Dick Powell, he is not able to abandon them to their punishment but is instead destroyed by them.

Jacques Tourneur's *Out of the Past* (in Britain it took the title of the Geoffrey Homes book on which it is based, *Build My Gallows High*) is a stylish essay in corruption in which Mitchum, as the trenchcoated private investigator Jeff Bailey, is hired to find the former girlfriend (Jane Greer) of a gangster (Kirk Douglas), who tells him she also stole $40,000. Mitchum tracks Greer down in Mexico where, after an idyllic romance against moonlit backdrops of a raging seashore, a sudden rainstorm and billowing fishing nets hauntingly captured by the richly textured low-key lighting of Nicholas Musuraca (who had defined RKO's *noir* style since 1940 with baroque set-ups and inspired chiaroscuro), he accepts her story that Douglas lied about the money and settles down with her.

A masterpiece of *film noir*: Mitchell with Virginia Houston in *Out of the Past* (British title *Build My Gallows High*, 1947) Photograph: Kobal Collection

When she later kills dispassionately, Mitchum realises his mistake and leaves her, but cannot escape the past and is eventually drawn back into a web of blackmail, deceit and murder. "You're like a leaf," he finally tells Greer, "that blows from one gutter to another."

With a terrific script by Homes (using his real name, Daniel Mainwaring) described as "the best dialogue heard west of Chandler and the most alluringly diabolical characters south of Hammett", Tourneur created a true masterwork, dominated by Mitchum's persuasive portrayal of a basically good man who ultimately realises that his only escape from the woman who has obsessed him lies in their mutual destruction. "Bob would walk through anything he didn't like," said Greer, "but if he liked the part and the director, he'd be brilliant. I think he's brilliant in *Out of the Past*."

Mitchum's character in Otto Preminger's *Angel Face* is superficially more innocent than Jeff Bailey – he is an ambulance driver, not a private eye. But, when called to attend a wealthy woman, he quickly succumbs to the charms of her beautiful stepdaughter (Jean Simmons), breaks with his fiancée, and accepts a job as family chauffeur. Even when he realises that Simmons plans to murder her stepmother, he is unable to break away.

Preminger's direction brings out intriguing ambiguities in his plot and characters, with his trademark eye for perverse psychology, while Mitchum, in what could easily have been a bland portrayal of a naïve working-class man easily seduced by a beautiful heiress (allowing the film to be merely a vehicle for the superb Simmons), presents a complex mixture of rationality and honesty compromised by a fatal obsession.

"Bob always seemed disinterested when it came to rehearsing and scriptreading," said Jane Greer. "But when the director called 'Action', he knew exactly what he was doing. He hit all the right marks and delivered a great performance."

Robert Charles Duran Mitchum, actor: born Bridgeport, Connecticut 6 August 1917; married 1940 Dorothy Spence (two sons, one daughter); died Montecito, California 1 July 1997.

Births, Marriages & Deaths

IN MEMORIAM

HOLNESS: Paul. Cherished memories on his first anniversary. Margaret.

Announcements for Gazette BIRTHS, MARRIAGES & DEATHS should be sent in writing to the Gazette Editor, The Independent, 1 Canada Square, Canary Wharf, London E14 5DL, telephoned to 0171-293 2011 (24-hour answering machine 0171-293 2012) or faxed to 0171-293 2010, and are charged at £6.50 a line (VAT extra). OTHER Gazette announcements must be submitted in writing (or faxed) and are charged at £10 a line, VAT extra. They should be accompanied by a daytime telephone number.

ROYAL ENGAGEMENTS

The Duke of Edinburgh attends a pre-lunch reception at the Hyatt Hotel, Birmingham, followed by the Birmingham Post Business Awards Luncheon at the International Convention Centre, Birmingham, at which he presents the awards. The Prince of Wales pays an official visit to Manila at the invitation of President Ramos. The Princess Royal, Chancellor, London University, attends the Summer Congregation, London Business School, Regent's Park, London NW1; and, as Patron, National Association of Victims Support Schemes, attends the Annual National Conference at Warwick University, Coventry, Warwickshire. The Duke of Gloucester opens Manor Farm Day Centre for the Elderly, Egham, Surrey; and, as Grand Prior, the Order of St John, opens the St John Council for Surrey's new headquarters, Guildford. The Duke of Kent attends a naming ceremony at the Harlow Town Railway Station, Harlow, Essex; visits Northern Telecom, Harlow; and visits the Coalhouse Fort, East Tilbury, Essex. The Duchess of Kent attends the Wimbledon Championships, All England Lawn Tennis and Croquet Club, London SW19.

Changing of the Guard

The Household Cavalry Mounted Regiment mounts the Queen's Life Guard at Horse Guards, 11am; 1st Battalion Royal Gurkha Rifles mounts the Queen's Guard at Buckingham Palace, 11.30am, band provided by the Irish Guards.

Birthdays

Miss Evelyn Anthony, writer, 69; Sir Bernard Burrows, diplomat, 87; Mr Robert Crawford, Director-General, Imperial War Museum, 52; Mr Tom Cruise, actor, 35; Sir William Deakin, former Warden, St Antony's College, Oxford, 84; Mr David Gandolfo, racehorse trainer, 59; Mr Neil Gerrard MP, 55; The Hon Sir Eustace Gibbs, former Vice-Marshal, the Diplomatic Corps, 68; Sir Richard Hadlee, cricketer, 46; Mr Carlos Kleiber, conductor, 67; Lord Lester of Herne Hill QC, former chairman, Runnymede Trust, 61; Mr Iain Macdonald-Smith, yachtsman, 52; The Very Rev Dr William McMillan, chaplain to the Queen in Scotland, 70; Mr Michael Martin MP, 52; Professor Michael Oliver, cardiologist, 72; Miss Susan Penhaligon, actress, 47; Mr Stephen Pound MP, 49; Mr Ken Russell, film director, 70; Baroness Ryder of Warsaw, founder, Sue Ryder Foundation, 74; Mr Geoffrey Sammons, former senior partner, Allen and Overy, 73; Dame Heather Steel, High Court judge, 57; Mr Tom Stoppard, playwright, 60; Sir John Swan, former premier of Bermuda, 62; Sir John Waite, a Lord Justice of Appeal, 65; Mr Edmund Wallis, chairman and chief executive, PowerGen, 58; Sir John Wills, Lord-Lieutenant of Somerset, 69; Mr Paul Young, actor, 53.

Anniversaries

Births: Louis XI, King of France, 1423; Robert Adam, architect and designer, 1728; Henry Grattan, Irish patriot, 1746; Alexandre Charles Lecocq, composer, 1832; Leos Janácek, composer, 1854; Sir Apirana Ngata, Maori statesman, 1874; George Michael Cohan, entertainer and songwriter, 1878; Franz Kafka, writer, 1883; Elizabeth Taylor (Coles), novelist, 1912. **Deaths:** Marie de'Medici, Queen of France, 1642; Karl Adolf Heinrich Hess, painter, 1849; Joel Chandler Harris, writer and creator of "Uncle Remus", 1908; David Alfred Thomas, first Viscount Rhondda, statesman, 1918; Rudy (Hubert Prior) Vallee, singer, 1986. **On this day:** Licinius was defeated by Constantine at the Battle of Adrianople, 323 AD; General Meade, leading the Union forces, defeated the Confederates at the Battle of Gettysburg, 1863; Idaho became the 43rd of the United States, 1890; John Logie Baird transmitted the first colour television signals, London, 1928; the LNER steam locomotive *Mallard* achieved a speed record of 126mph, 1938; the Royal Navy sank the French fleets at Oran and other ports in North Africa, 1940; the Four-Power occupation of Berlin began, 1945; Nanga Parbat was climbed by an Austro-German expedition, 1953; food rationing in Britain ended, 1954; France proclaimed the independence of Algeria after a referendum, 1962; an Israeli commando force made an airborne raid on Entebbe airport, Uganda, to free 105 hostages from a hijacked aircraft, 1976; it was announced that Paul Hamlyn had sold his Octopus publishing group to Reed International for £540m, 1987. **Today is the Feast Day of** St Anatolius of Constantinople, St Anatolius of Laodicea, St Bernardino Realino, St Heliodorus of Altino, Saints Irenaeus and Mustiola, St Leo II, Pope, St Rumold or Rombaut and St Thomas the Apostle.

Lectures

National Gallery: Jacqueline Ansell, "Sleep (i): Parmigianino, *The Madonna and Child with Saints John the Baptist and Jerome*", 1pm.

Victoria and Albert Museum: Simone Mathews, "18th-century Portraits", 2.30pm.

Tate Gallery: Clement Page, "Stephen Buckley: refiguring abstraction, fracturing and extending surface", 1pm.

National Portrait Gallery: Roger Hargreaves, "Bill Brandt: picturing England", 1.10pm.

Receptions

HM Government

Mrs Margaret Beckett MP, President of the Board of Trade was the host at a reception held yesterday at Lancaster House, St James's, London SW1, in honour of Dr Yousif Boutros Gali, Minister of State for Economic Affairs of the Arab Republic of Egypt.

Lord Mayor of Westminster

The Lord Mayor of Westminster, Mr Ronald Raymond-Cox, and the Lady Mayoress, Mrs Raymond-Cox, hosted a reception held yesterday evening at Westminster City Hall, London SW1, in honour of the Royal Ballet Company.

Dinners

Navy Board

Prince Michael of Kent attended the Trinity Term Dinner held by the Navy Board yesterday evening at Admiralty House, London W1. Admiral Sir Jock Slater, First Sea Lord, presided.

Tariff element in girl's sentence too long

LAW REPORT

3 July 1997

Regina v Secretary of State for the Home Department, ex parte Furber; Queen's Bench Divisional Court (Lord Justice Simon Brown and Mr Justice Owen) 30 June 1997

When determining the tariff element of a discretionary sentence of detention passed on a young person pursuant to section 53(2) of the Children and Young Persons Act 1933 the approach adopted should be the same as that in cases of murder under section 53(1) and, accordingly, it was no longer permissible to treat such young persons in the same way as adult offenders.

The Divisional Court allowed the applicant's application for judicial review of the tariff element of her sentence set by the Home Secretary.

In 1991, on the day after her 17th birthday, the applicant pleaded guilty to manslaughter on the grounds of diminished responsibility. At the time of the killing the applicant was aged 16½.

She was sentenced to detention for life under section 53(2) of the Children and Young Person's Act 1933.

In his report to the Home Secretary the judge included a recommendation that the applicant should serve a minimum term of 10 years to meet the requirements of retribution and deterrence. The Lord Chief Justice, Lord Lane, suggested a nine- to ten-year minimum.

The case fell to be dealt with under the transitional provisions of the Criminal Justice Act 1991. The Home Secretary certified under paragraph 9 of Schedule 12 to the Act that section 34 of the Act should apply and that the relevant part of the applicant's sentence (the tariff) was 9 years.

Upon the applicant's claim that such a tariff was excessive, the Secretary of State referred the case back to the Lord Chief Justice. The then Lord Chief Justice, Lord Taylor of Gosforth, advised the Home Secretary that the tariff period should be reduced to seven years. The Home Secretary accepted that advice and reduced the tariff period accordingly. The applicant challenged that decision by way of judicial review.

Edward Fitzgerald QC and Phillippa Kaufman (Greysons, Sheffield) for the applicant; Hugo Keith (Treasury Solicitor) for the Home Secretary.

Lord Justice Simon Brown said that it had been submitted that the question of the appropriate tariff element in the applicant's sentence had been approached on an erroneous legal basis. In particular the requirement, it being a section 53(2) case, that regard be had to the applicant's welfare, had not been recognised. That consideration had only recently been highlighted by the decision of the House of Lords in *R v Secretary of State for the Home Department, ex p Venables and ex p Thompson* (Law Report, 18 June 1997).

In fixing a tariff under section 34 of the 1991 Act the judge had to decide first of all what determinate sentence he would have passed in the case if the need to protect the public and the potential danger of the offender had not required him to impose a life sentence. He then had to decide on such proportion of that determinate sentence as fell between a half and two-thirds of it.

The case of *ex p Venables and ex p Thompson* was itself a section 53(1) case, but was nevertheless one of great importance when it came to fixing tariffs for juveniles sentenced to detention for life under section 53(2). The majority of the House of Lords in that case had rejected the Home Secretary's view that the approach to juveniles should be same as to adults. In the case of young persons, the court should set the minimum tariff.

The court had decided in *R v Carr* [1996] 1 Cr App R (S) 191, another discretionary life sentence case under section 53(2), that half rather than two-thirds of the appropriate determinate sentence should be taken in arriving at the specified period under section 34. Following the House of Lords' decision, that should now generally be regarded as the correct approach in section 53(2) cases.

From all that it seemed inescapably to follow that the seven-year tariff period could not stand. In all the circumstances, the appropriate tariff could not properly exceed the six years which the applicant had now already been detained.

Kate O'Hanlon, Barrister

Now we know Labour really means what it says

More than any event – more, even, than Tony Blair's speeches on the night of his victory, in the early hours of Friday 2 May – we learnt yesterday that our political firmament has changed. After 18 years of presuming that the world could only be interpreted in one way, shazam, we discover that it can be different.

It was not an exotically radical Budget. It was prudent, managerial, responsible. And that made it a brilliant opening Budget, because it described precisely what this government intends to be about. It looked and felt like they (meaning Gordon Brown and Tony Blair) utterly meant it, and it left the opposition with nowhere to go.

Let's look at that point first, since it says so much. How can the Conservatives attack this Budget? It is a Budget for business, because it invites medium and larger businesses to invest, invites foreign capital to invest. It seeks to signal a warmth towards small businesses. In capital neon letters Mr Brown keyed out yesterday a message that he intended to balance the windfall tax, and the removal of advance dividend tax, with investment stimuli. Of course the Tories can protest at the windfall tax, but to little avail.

And what about the Lib Dems? Their education spending promise looks a mite by-the-by when set alongside an actual commitment to invest £1.3bn capital in school buildings, plus an immediate £1bn investment in standards and quality, never mind the allocation of a chunk of the reserves that should prevent the annual health funding anguish next winter.

It's even difficult for *The Independent* to start picking holes. Our view has long been that the windfall, since it was being levied, should be distributed as much to education and training of the next generation as to the present long-term unemployed. On that issue, Mr Brown more than satisfied: he made it clear that his objective was to spend that money – "the people's money", which is not a bad rubric to carry with you in power – on promoting "hard work and self-improvement". In other words, real layabouts who don't want to take advantage of the opportunities offered by Tony's New Model Army will find themselves left behind. This money is, should be, for those who are willing to use it. Our view is simple: if you must levy a windfall like this, then make sure every penny is spent in a way that counts, for the long term.

On the core economic issues, Mr Brown was as responsible – as "Iron" – as any realistic liberal economist could conceivably expect. He promised inflation control, with conviction. He promised to use our good growth fortunes to tackle the deficit, which is when it matters. Maybe he could have done a little more to tackle consumer spending, but in truth it is now the Governor of the Bank of England who has the primary responsibility there. Cutting corporation tax was a neat coup – but even cleverer to hold off the next Budget to spring next year, duck under this year's spending round, and use the contingency to tackle the immediate spending pressures. That leaves departmental ministers time and room to work out priorities.

Caveats? Well, naturally. Cutting VAT on fuel is not exactly a green measure, and it is frankly as kind to well-off people as the poor and elderly. Also, increasing petrol tax (already very high in the UK) is not the real answer; providing incentives to clean up emissions from lorries and buses is actually more environmentally potent. Green taxes such as petrol tax hikes are great for the Treasury, and barely relevant to our breathed air. In truth, there is very little green about the Budget at all, other than a rhetorical ambition to be good. As Mr Brown knows, being green and political at the same time is a smart trick that no one has quite yet pulled off. At least, he should be given a chance to try.

The Chancellor was also utterly right to emphasise the importance of slowing down runaway house price inflation. This cannot be repeated often enough: housing cost imbalances are one of the most peculiar and destructive forces in British society and in our economy, and changing that should be a fundamental long-term aim of any truly radical government. It looks as if Mr Brown agrees. But raising stamp duty is not really the way to slow down absurdly accelerating house price inflation in the wealthier pockets of Britain. The best way is to raise interest rates and remove mortgage interest tax relief altogether.

But too big a bit on Middle England was no doubt too much. So those wanting to buy high value homes – like a certain famous address in Islington – will have to shell out more than the rest. So be it: the hit is relatively minor, and at least the Chancellor has speeded up the removal of mortgage tax relief.

A lot of important detail remains to be disclosed from this Budget. Mr Blunkett (self-evidently emerging as one of the big political figures of this government) will make a statement today that is central to developing the theme of long-term skills improvement. Will the childcare army make any economic and social difference, or will it merely prove to be a gesture? But no one should miss a core message in this Budget. Labour promised something, and it has done exactly that. The Conservatives paid a high price for one thing and doing another. Mr Blair, and his heavy-jawed but cheerfully confident friend, seem determined to say what they mean and do what they say. If they're lucky, it might even succeed.

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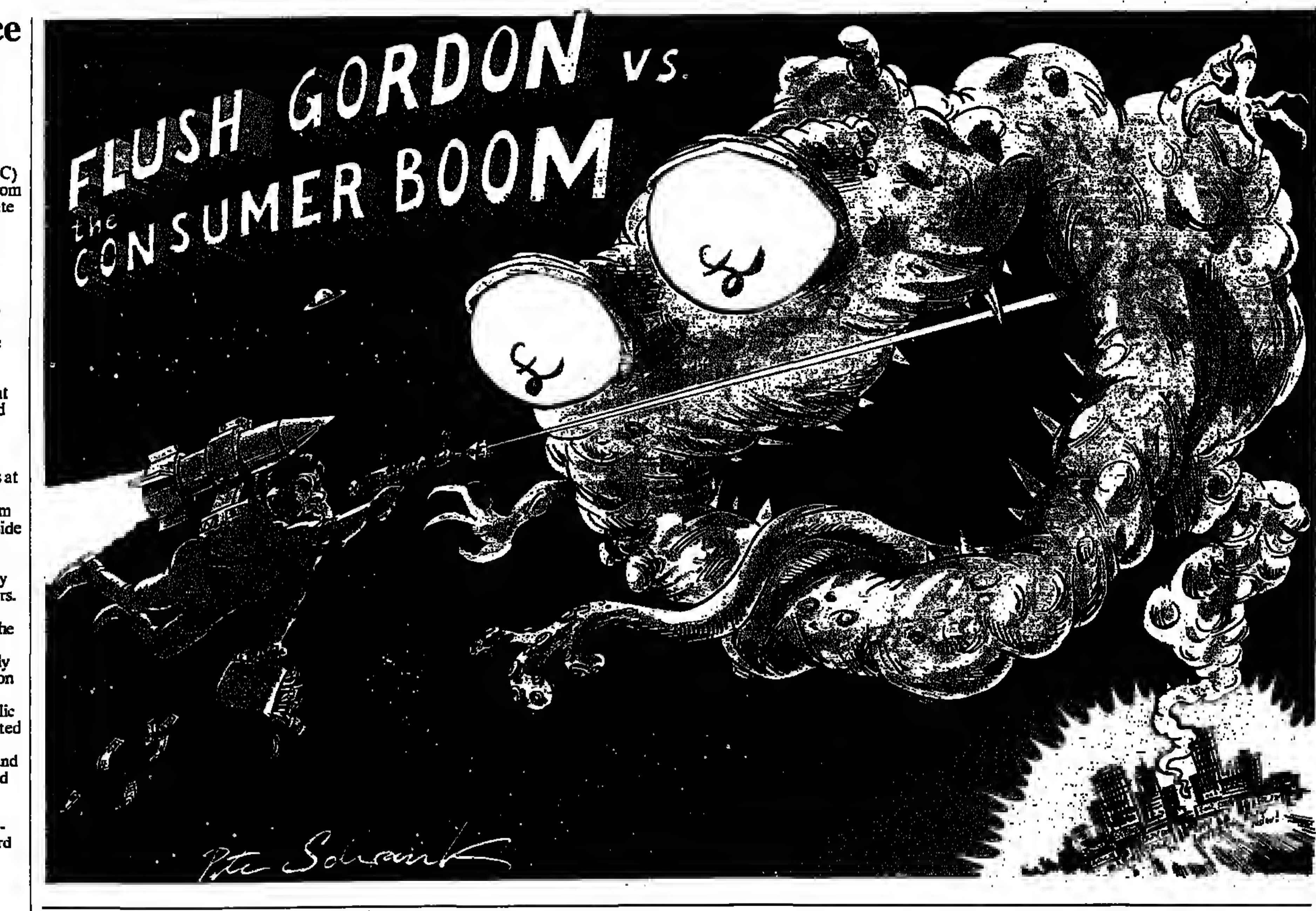
Bitten by the superlative bug

Modern sport is all about superlatives. Tennis has been reduced to two simple benchmarks: the speed of serve in thousands of miles per hour, and the length of time that plucky Brits manage to survive in Wimbledon before being knocked out. Golf is all a matter of how young you were when you hit your first hole in one. Cricket is measured in millimetres of rain.

But these are innocent pursuits. Today we report a new superlative in another sport: the force exerted by Mike Tyson's jaws when he bit off part of Evander Holyfield's ear. Anyone for tiddlywinks instead?

• LETTERS TO THE EDITOR •



Format choice for electoral TV debates

Sir: Tony Hall (chief executive, BBC News) and Anne Sloman (chief political adviser to the BBC) have written a thoughtful and, from my perspective, generally accurate account of the negotiations for a leaders' TV debate during the election ("The televised debate that never was", 2 July).

However, in the doubts they express as to whether the parties really wanted a debate they may have done less than justice to the Liberal Democrat position. We regarded such a TV debate unequivocally as an enhancement of democratic understanding and participation, and have long thought it should form a part of British general elections.

Where we were not happy was at the original proposals for the exclusion of Paddy Ashdown from face-to-face participation alongside Tony Blair and John Major, particularly since equivalent debates in other countries readily include three or four party leaders. Even there we were prepared to compromise to some extent, as the authors related.

As to the future, they are surely right to urge consideration now on the basis of format and participation next time. The public interest should not be subordinated to the shifting needs of partisanship. The broadcasters and party representatives alike should put their heads together in the early years of this Parliament, possibly under the aegis of a non-partisan body such as the Hansard Society, to see if there is a better way forward than frantic last-minute horse-trading.

Lord HOLME of Cheltenham
House of Lords
London SW1

Sir: Tony Hall may blame the politicians, but the BBC and ITV's attempts to secure the debates were a textbook example from the broadcasters of how not to do it.

In their self-serving attempts to secure the kudos of the debates first for themselves and then on an exclusive shared basis, they failed to live up to their public service remit, betraying it still further by becoming political footballs themselves while an election campaign was actually under way.

By the time Tony Hall, Anne Sloman and Richard Tait (editor-in-chief ITN) had sprung into action their hopes were doomed with Labour since they appeared to be acting at the bidding of John Major, following his widely leaked change of heart to participate. Michael Dobbs and Conservative Central Office then went on to use the terrestrial broadcasters as a goad against their opponents.

Leaders' debates are far too important to be viewed as the exclusive property of any particular TV company. To ensure they take place next election, a third party – neither broadcaster, nor party political – should take the lead establishing a format which could then be offered to the politicians and broadcasters on a take-it-or-leave-it public access basis.

Perhaps the Electoral Reform or Hansard Societies, or even the Newspaper Publishers Association could adopt similar roles to bodies such as the League of Women Voters, the National Association for the Advancement of Coloured People and the Presidential Debates Commission in the US. Sky News stands willing to help such public service efforts.

As television professionals we failed all our audiences last time – whatever their chosen news channel. The BBC and ITN must not be allowed to mess it up again.

ADAM BOULTON
Political Editor
Sky News
British Sky Broadcasting Ltd
London SW1

Honourable end in Hong Kong

Sir: In reporting the end of British rule in Hong Kong there has been little mention that the event has finally brought about the end of a proud Crown Service, the origins of which can be traced back to 1837 before the first British presence there.

It was Her Majesty's Overseas Civil Service, formerly the Colonial Service, that has been responsible for the administration, development and bringing to independence or sovereignty of all British colonial territories in every continent. None of the remaining British dependencies have posts filled by officers from that Service, though some 280 members have chosen to stay on under different terms to serve the Government of the Hong Kong Special Administrative Region of China.

The following words written by Sir Winston Churchill in 1956 are an apt summary of the achievements of British colonial rule in this century:

> There has been no lack of critics, at home and abroad, to belittle Britain's colonial achievement and to impugn her motives. But the record confounds them. Look where you will, you will find that the British have ended wars, put a stop to savage customs, opened churches, schools and hospitals, built railways, roads and harbours, and developed the natural resources of the countries so as to mitigate the almost universal, desperate poverty. They have given freely in money and materials and in the services of a devoted band of Civil Servants; yet no tax is imposed upon any of the colonial peoples that is not spent by their own governments on projects for their own good.

The ending last Monday of HMOCS is to be commemorated in two years' time (May 1999), together with related anniversaries, by formal functions in Westminster Abbey and elsewhere. We hope that the British people will acknowledge and appreciate this culmination of an honourable job well and truly done.

F N PUSINELLI
Chairman, Overseas Service Pensioners' Association
Tonbridge, Kent

Therapy on the airwaves

Sir: Robert Winder (Tabloid: "It's OK, I'm a psychiatrist", 30 June) displays a lazy cynicism about Peter Mandelson's TV tears. Even the inventor of the Millennium Experience's worst enemies (eg Simon Hoggart) admits that the lachrymosity was almost certainly unrehearsed and genuine.

Mr Winder's laziness extends further when he lumps Anthony Clare's interviews and mine together as "pop-psychoanalysis".

Dr Clare has had no training in psychoanalytic therapy, the tradition of the Talking Cure invented by Freud of which Clare is actually an aggressive critic. He has had no therapy himself and is no more qualified to ask people about their childhood than Robert Winder.

He was trained to administer chemicals and electricity to the mentally ill to change the state of their brains (= a psychiatrist) so that they are "well" (like him).

Although I am not a psychoanalyst either, I am more sympathetic to that approach, being trained as a child clinical psychologist. My expertise is in the effect of childhood experience on adult personality.

"Slaking our curiosity about what psychoanalysis might be like", as Mr Winder suggests, is not either of our purposes.

OLIVER JAMES
Producer-Interviewer
The Chair, BBC2
London W2

Wimbledon for the people

Sir: Given the remarkable success of "People's Sunday", why not introduce it as a permanent feature of Wimbledon?

Every middle Sunday of the fortnight to be first-come, first-served, cheap-entry, tennis for the masses.

RICHARD WALKER
London W7

Spaced out in the Millennium

Sir: Plans for the Millennium Exhibition at Greenwich really do need livening up (Letters, 27 June). One of the activities certain to dominate the 21st century is space technology to which Britain has made valuable contributions through international programmes.

Examples are global telecommunications and TV broadcast relay by satellite (which a Briton, Arthur C Clarke, pioneered in 1945), weather survey, Earth resources survey and an expanding interest in satellites for monitoring global warming and the spread of polluting agents worldwide. We have one of the finest facilities for remote sensing data-reduction at Farnborough.

One could also bring in the US and other countries with which we have collaborative space agreements. For example, great interest is being shown in the spectacular results of the Hubble Space telescope (to which Britain contributes). Images of planets, stars, galaxies and other celestial objects have enormous impact on the big screen.

All this, and much more, could be brought into focus with great educational impact by satellite-relayed television.

KENNETH GATLAND
Past-President
British Interplanetary Society
Ewell,
Surrey

'Scrooching' with Mark Twain

Sir: Ann Hales (Letters, 1 July) asks after the origin of "to cut corners", in your earlier headline "Nemesis of the golden boy who cut too many corners".

The OED documents the phrase from 1869, when Mark Twain described a gondolier who "cuts a corner so smoothly, now and then, or misses another gondola by such an imperceptible hair-breadth that I feel myself 'scrooching', as the children say, just as one does when a buggy wheel grazes his elbow" (*Innocents Abroad*, chapter 23). The original use was, therefore, "to pass round a corner as closely as possible"; the modern extended use is recorded from the latter end of the 19th century.

"Scrooching", by the way (also scrouging, skrowdging, scroodging, etc), means "to squeeze close; to crouch or bend", and in Twain's context "to make one's body smaller or less conspicuous"; nowadays it's largely restricted to American English regional use, though an apparently related term appears in Spenser's *Faerie Queene* (1590).

Golden boy achieved popularity in the 1930s, as the title of Clifford Odets' *Golden Boy: a Play in Three Acts* (Random House, New York).

Nemesis predates the United States. As the Greek personification of retribution or vengeance she was well-established in Elizabethan England.

JOHN SIMPSON
Chief Editor
Oxford English Dictionary
Oxford University Press
Oxford

Secret responses to fatherhood

Sir: Men and women may indeed be "wired" differently from each other, a notion your editorial ("On sexual equality we should agree to differ", 2 July) urges us to tolerate; and indeed, looking around it seems they must be. Yet, *pace* testosterone, genes or whatever, researchers who get down to specifics are often astonished by innate similarities.

You cited fatherhood. So shall I. Fathers in our society usually vocalise and smile less to babies than do mothers, but put in charge of infants for sustained periods, as mothers routinely are, they exhibit no less chat and smiling, or patience and sensitivity (Gbrich, 1986).

When males and females are played tapes of crying babies, females appear more agitated. However, when concealed responses (heart rate, blood pressure, etc) are measured, no sex differences are found: males and females are revealed as equally distressed and responsive (Lamb, 1981).

Whatever the initial "wiring", it's clear that social conditioning drives a huge wedge between men and their parenting instincts. When pre-schoolers are given a doll and asked to pose as a "mummy", they stay close to it; when posing as themselves, they stand further away; when posing as a "daddy", they stand furthest away of all (Reid, Tate & Berman, 1989).

Given that childbearing is seen as the ultimate "girls' game", we should not be surprised when adult males fail to join in. We should, rather, marvel that so many do, and consider whether this alone may not be evidence of a powerful instinctual drive.

ADRIENNE BURGESS
Author of 'Fatherhood Reclaimed'
London SW1

Language of Maltese knights

Sir: Annie Caulfield's statement in her travel piece "Malta mystery tour" (25 June) that the Knights of St John were "predominantly British" gave my family considerable amusement. Certainly the Order's groups or "langues" of knights included the English together with those of Provence, Auvergne, France, Aragon, Castile, Italy and Germany. That was until Henry VIII suppressed the English "langue".

It was the French knights who usually had most influence, with 12 Grandmasters out of 28 who ruled Malta from 1530 to 1798.

ALEX P GALEA
Woking,
Surrey

Better bitten than bashed

Sir: I am appalled by the hypocrisy with which the media have reported the Mike Tyson incident (Sport: "He hit my ear and spat it out", 30 June). From what I can conclude it is completely unacceptable to bite off an opponent's ear in a boxing match, but it is perfectly acceptable for boxers to get into a ring and attempt to pummel each others' brains.

I know where I stand. I'd rather have my ear bitten off than my brains mashed.

N ARMARN
London SW19

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TV sex – will it be worth the wait?

When couples relate their exploits, viewers are left in no doubt about certain physical activities

BUDGET SPECIAL Commentary by Polly Toynbee, Donald Macintyre, Andrew Marr, Hamish McRae, John Rentoul and Bill Robinson PAGES 20, 21

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TV sex – will it be worth the wait?

Couples now go further than ever before on screen. Kathy Marks wonders whether the earth will move when the latest show appears

Why men and women get together and what they do in private is a subject of universal fascination. Television recognises the voyeuristic pleasure to be had in watching human relationships dissected on screen.

First came *Mr and Mrs*, the sedate 1970s quiz show in which married couples were tested about how well they knew each other. It was all very innocent. The most salacious question asked was what a contestant's spouse did first on getting out of bed in the morning.

In the 1980s, programmers realised that there was a richer seam to be mined. Forget whether couples knew the colour of each other's toothbrushes. How had they actually met in the first place? Even better, could a meeting be engineered on television? Thus was born *Blind Date*, the hugely successful show where, after a toe-curling series of questions, couples are paired off and dispatched on holiday together The show has grown more raunchy over the years, but it remains sufficiently wholesome to be broadcast early Saturday evenings.

Not so the latest offering from London Weekend Television, a late-night "youth" magazine programme featuring a segment in which viewers compete for a date with one of a cluster of people assembled in the Capital Radio restaurant, in central London. Among the prizes on offer for winning couples will be a night in a luxury London hotel.

The show, called *Live at the Capital Café* and presented by Dani Behr, has yet to be screened, but has whipped up a predictable storm of outrage. Mary Whitehouse emerged from her bunker to call it "cheap and tawdry". Ann Widdecombe, the Conservative MP, more creatively condemned it as a "pimping service".

London Weekend Television, which

When couples relate their exploits, viewers are left in no doubt about certain physical activities

makes the programme, professes innocent surprise. A spokeswoman said it was "not about sex", pointing out that contestants might choose simply to take tea at the hotel.

The defence seems disingenuous, and possibly unnecessary. Given the recent diet of youth programmes laced heavily with sex – *The Girlie Show* and *Eurotrash*, for instance – *Live at the Capital Café* sounds positively tame.

It might also be seen as a natural evolution of the format, a more explicit version of *Blind Date*. When successfully matched *Blind Date* couples relate their exploits to Cilla Black, viewers are left in no doubt that certain physical activities have taken place, notwithstanding the separate hotel rooms.

Live at the Capital Café takes this one step further, bringing sex to the fore. But couples will not be filmed in their hotel rooms, nor will they return to talk about their nights of passion.

There have been other up-front dating shows, too. *God's Gift*, for instance, in which a line-up of muscular, bare-torsoed men have their physical attributes judged by a critical group of women – or men, in the case of the occasional gay version.

And for *Mr and Mrs*, read *Carnal Knowledge*, a no-holds-barred sex quiz banned from Yorkshire Television by Bruce Gyngell. What is not certain is whether viewer interest increases according to how little is left to the imagination. "There's a limit to how far you can go with these programmes," says Murray Boland, who produces *God's Gift* for Granada Television.

The secret of *Blind Date's* success, according to Mr Boland, is the mileage for viewers in gauging contestants' reactions to each other and how they got on. "The sex is the least interesting part of it," he says. "It's what goes on between the lines. It's reading their body language, it's people-watching."

Viewers will have to wait until Friday to satisfy their curiosity about Dani Behr's show. But it seems unlikely to break any records. After all, the idea that man meets woman and goes off to a hotel room with her is not exactly a revelation. It is the uncertainty, the anticipation and, above all, the post-mortem that make sexual encounters so fascinating in real life.

BUDGET SPECIAL
Commentary by Polly Toynbee, Donald Macintyre, Andrew Marr, Hamish McRae, John Rentoul and Bill Robinson
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Monet: inner landscape of Impressionism, or myotonic dystrophy?

What we see as a blurry paradisaical fog in 'Waterlilies' was, through Monet's clouded eyes, an exact representation of reality

john walsh

A team of scientists in San Diego has identified something called *mirror agnosia* or "looking-glass syndrome", to explain why some people, staring into a mirror, think that the objects they can see are floating in the mirror's mercurial depths rather than merely being reflections. Patients under inspection would bang their hands against the mirror in trying to reach "inside" it.

The syndrome is generally found in people who have had a stroke, or suffer from migraines, or have *damaged the right side of their* brain and no longer recognise things located on their left side. (I know, it all sounds as mad as Mike Tyson, but stay with it). Because of the mirror connection, some Californian has called it an "Alice in Wonderland Syndrome". It took only a couple of minutes for someone else to deduce that Lewis Carroll must himself have suffered from it. And next thing you know, *The Daily Telegraph* is claiming that Alice "was a figment of Carroll's migraine".

I see. So the master of Victorian surrealism wrote the way he did because he had chronic headaches? He invented Jabberwocky, the Frog Footman and the croquet flamingoes because of a disordered, rather than an inspired sensibility? What utter nonsense. But then, coincidentally, I met a neurologist called Russell, who spends his time studying the brain's response to certain stimuli. He said he had no problem with the Carroll-wrote-Alice-because-he-was-barmy syndrome. "I mean," he said, "Look at Monet..."

Russell has published an article in *The Lancet* that tries to diagnose why Monet painted the way he did. Digging out the magazine, I discovered there's a whole platoon of doctors out there, with names like Ravin and Skaff, devoted to the study of eye disease among Degas, Pissarro *et al*. They had already established that Monet had developed cataracts late in life, and that what we see, in "Waterlilies", as a blurry paradisaical fog was for him an exact representation of reality; but then, that's what you expect when someone's old and failing (Monet's eyes clouded over in his sixties; he died at 86).

What Russell found out was what Monet's eyesight was like in his prime. He'd had a patient called Monet, a great-grand-nephew of the great man, with a wasting eye condition called *myotonic dystrophy, which starts in* your middle years, gets worse, and eventually gives you cataracts – and is hereditary, though it jumps generations.

Claude Monet, said Russell, had started life as a pin-sharp draughtsman, but was drawn towards indistinctness, distortion and colour-blending while still in his twenties. Why? Because his eyesight was changing. Just look at the properties of myotonic dystrophy: "Initially, these consist of punctate, iridescent, white and/or multi-coloured opacities, especially in the posterior subcapsular region, sparing the central portion of the lens, progressing to rosette-type cataracts with radiating spokes, and then to reticulation of the lens cortex." That, ladies and gentlemen, is a definition of the inner landscape of Impressionism.

Or is it? I've also been told that El Greco painted his saints with long faces because he suffered from some disabling strabismus. Next they'll say that Joyce wrote *Finnegans Wake* out of some pun-inducing mental frenzy, and Damien Hirst's cow-slicing aesthetic derives from a zoophobic condition you can cure with antibiotics. I don't believe it's that simple. You can blame genius on all manner of physiological kinks, but you can't account for it all. No amount of learned articles in *The Lancet* will satisfactorily explain, say, Mr Dale Winton.

Reading the other day about the iniquitous rise of Ms Pauline Hanson, the former barmaid and fish 'n' chip shop owner (and former Liberal) Australian MP who now leads the *gibberingly racist* "One Nation" party on the simple policy platform that aborigines are a bunch of baby-eating freeloaders who should be denied welfare payments, and

Namely, Jennifer Aniston

should have their faces sawn off, *too*, while we're *at it* – *it struck* me I'd come across her surname rather a lot lately. It and its phonemic variants have taken over the world. There are three juvenile-delinquent Hansons in a band imaginatively called Hanson, at the top of the hit parade with a lyrically challenged song called "Mmm Bop". There's another one called Beck Hansen, presumably a distant cousin, lower down the charts. There's a row going on at the Park Lane Hotel, involving two more Hanson brothers, one a director, the other a shareholder. There's Lord Hanson of the well-known trading group, and, er, Mansun, which is another pop group obviously modelled on Charles Manson, the sadly unfashionable murderer, and Ted Danson, the actor-barman of *Cheers* fame and er, er, Lanson, that frightfully posh *grand marque* champagne and Lisa L'Anson, the Radio 1 girl with the velvety voice, and Jennifer Aniston, who was Aristotle Onassis's god-daughter and plays Rachel in *Friends* and, er, er, er – well, there were a *hell* of a lot more Hansons the last time I looked, but they seem to have disappeared...

I went to an Oxford gaudy on Friday in my old college, a reunion of three years of early-Seventies undergraduates. Tuxedo and waistcoat settled on gently spreading tum, I pushed open the door of the Junior Common Room and peered through the hot crush of elderly dons, trying to spot my wild 'n' crayzee mates from the days of 28-inch yellow loons embroidered with butterflies. They weren't there. Then I realised they were the dons. It was a weird *Night of the Living Dead* scenario, scrutinising the features of Richard X or Peter Y and detecting, somewhere in all this expanse of face and jowls, the vestiges of someone I used to know well. Of the quantity and quality of hair on display, the less said, the better. More interesting was how much had changed, how much stayed the same, how we'd turned out. One of us was running a *feng shui* clinic in Alaska (though why Innuit tribesmen need advice on where to put their furniture is beyond me). Another is Commercial Secretary to Her Majesty's Embassy in Tokyo. A third has just jetted in from LA, where his first movie is in ante-pre-production or some such thing. A fourth answers to the name of Rouge Dragon Pursuivant at the College of Heralds... How grown-up we were, how very *Oxford*, as we nibbled the college lamb, drank the college claret and nodded at speeches about public subsidy and private enterprise. The guy across the table explained to his neighbours the difference between a *hapax legomenon* and a *hysteron proteron*. The son of a former cabinet minister gave me a dead cert for the 3.50 at Newcastle. And when dinner was over, we rushed to the Undercroft bar, bow-ties and gowns a-flying, drank gallons of Bass, played bar football and lampooned each other's pretensions. Remembering the candlelit dinner in hall, one recalls, not an agreeable miasma of success and shared endeavour, but the collective sigh of 300 mid-fortysomethings sharing a vast, collective mid-life crisis.

At last I've discovered the precise location of the Nineties generation gap – the gap that exists between the Baby Boomers, who grew up in the Sixties, and their offspring, who missed the whole Revolution thingy but have struggled to reach some kind of maturity in their early twenties. I realised the exact point of psychic breakdown, when my friend James told me about the devastating young *ingénue* on whom he is currently pressing his suit. "She's very keen on music," he reported. "Even ancient Seventies music, like Pink Floyd, so we were chatting away about *The Dark Side of the Moon*. And then I said, 'What's your favourite track on Side Two?' And there was this awkward silence, and she looked at me oddly and said, 'What's Side Two?' "

'Alice in Wonderland': Victorian surrealism can be a headache

Baffled by the Budget? Help is at hand ...

Miles Kington

How will the Budget affect you?

That is the question which millions of people are asking themselves this morning.

And it's a very silly question, because what they should be asking themselves this morning is, "How will the Budget affect *me*?"

And they are asking the wrong person, because very few of us can supply the Budget answers to our own questions.

But one person who can supply all the answers to your Budget questions is Captain Roger Guinness, a financial adviser fresh back from Hong Kong whom I bumped into in the pub last night and whom, unaccountably, I found asleep on my kitchen floor this morning. I gave him the choice of clearing the place up or writing my article today. He must have misunderstood me because he has agreed to do both. All yours, Captain! Let's have those readers' queries!

I am a diplomat near retirement age, and I would like to know how I will be affected by Gordon Brown's first Budget. I was for a long time MP for Bath, but I lost that, and then I was put in charge of Hong Kong but I have just lost that as well, so I am looking for a safe nest egg to put all my savings in. Given my record, it would have to be very safe indeed.

Captain Guinness writes: Where do you keep the dustpan? Someone seems to have broken a mug. It's all over the place. Sorry – what was the question ?

In a nutshell, what advice would you give to a politician who had just given away the last bit of the Empire?

Captain Guinness writes: Ah! Whenever there is a change of government, or an end of an era, the outgoing politicians are very tempted to write their memoirs in order to put the record crooked and make a lot of money. But this new Government is determined to crack down on this windfall and introduce a hefty one-off tax on all politicians who make money out of what is, after all, a public position.

If you want my advice, I would get your memoirs written by someone else and set up a trust fund for the proceeds. Why not ask a friend of yours like Jonathan Dimbleby to put his name to a book called something like *The Last Days of Hong Kong* and thus avoid the new political memoirist's windfall tax altogether?

Well, as one of the few Tory MPs around, obviously I am going to be in great demand to take money to ask questions in Parliament and I wondered how I would stand on this under the new Budget

Captain Guinness writes: Badly.

I think Gordon Brown is absolutely right to increase taxes a bit to take the heat out of the economy and also to raise a bit of money, so that when these oily interviewers on the 'Today' programme say, "Ah, but where is the money going to come from?" which seems to be the only question they are ever trained to ask, government politicians can say that Gordon Brown will give it to them. In fact, I don't think he has asked for enough in the way of taxes and I, personally, would be happy to pay more. Is there any way in which a taxpayer can legally hand over more money to the government than he has been asked for?

Captain Guinness writes: Certainly. Make up your mind exactly how much you would like to pay extra, then send me a cheque for the amount, made payable to "Roger Guinness No 2 account". I will pass it on for you to the right quarters. Ah – I'll have a cup of coffee if you're making some. And the next!

This time last year I was actually making the Budget speech. Since then I have lost my job. Not only that – I have even been forced to make friends with John Redwood in the most humiliating circumstances, and now I am lumbered with him as best chum. How will the Budget affect me?

Captain Guinness writes: Not at all, I should hope.

For heaven's sake, if an ex-chancellor can't work out how to bypass a Budget, who can? Heavens, look at the time – after 11am and still as dry as a whistle. Time for a gin and tonic, old boy?

Captain Guinness may be back to help me at the next Budget. And there again, he may not.

Red, white and blue? Jack it in

The Tory party is fast acquiring a new name – *the English* National Party. The re-writing is well under way in Wales where the party's chief link is the impending marriage of William Hague to Ffion Jenkins, a 24-carat daughter of the *crachach*, Wales's surrogate aristocracy described by the Labour MP Kim Howells as "probably the most effective back-scratching organisation outside Sicily". Scotland, like Wales, a country which dismissed the Tories in short order on 1 May, harbours fellow feelings.

But never mind. The Tories believe they can deploy a not-so-secret weapon. Xenophobia is on the march, the Union Jack its camouflage. I feel a sense of shame at the quickening pace of English nationalism, especially when I travel to countries where there is real concern over the shrill sense of superiority. "Storm in the English Channel, Continent cut off" is a headline from the past still held close to closed minds.

After the flag was folded in Hong Kong for the last time, television news beamed across the world a pathetic cameo of drunken twenty-somethings wrapped in the Union Jack "celebrating" in the rain-soaked former colony. On the Costas T-shirts, shorts and even underpants bearing the symbol of a "greatness" fast disappearing down history's plug-hole are as *de rigueur* as a daily intake of lager.

The last night of the Proms is more for waving flags than appreciating music, turning the event into a photo-opportunity. Football has long been plagued by a plethora of the symbol. The Red, White and Blue spreads to Lord's and the Oval, favourite venues of John Major who as Prime Minister sat on his hands while the xenophobes quietly dug in.

At Wimbledon, faces painted with Union Jacks split wide with delight yesterday when Tim Henman volleyed to victory over the Dutchman Richard Krajicek.

The Spice Girls are big on flags. So is their putative granny Baroness Thatcher and no doubt the old girl has instructed her protégé young Hague, a graduate of the Marcus Fox Yorkshire charm school, in the importance of the standard.

I don't know if Mr and Mrs Hague will bed down under a Union Jack bedspread. For many such an accoutrement would be, well, an incentive to settle for a good book. Certainly not Evelyn Waugh's splendid *Put Out More Flags* in which a Chinese sage, Lin Yutang, stresses the importance of running up lots of colours. Incidentally, neither of Cardiff's largest departmental stores contacted yesterday could help. "We don't stock such items," they both assured me.

Advertising agencies are threatening to stuff the Union Jack up our noses, perhaps in an attempt to stem the whiff of decay. And fashion shoots are becoming infected with flags as well as anorexic teenage models. The Red Flag of Labour has softened to the Red Rose. The Tory torch flickers dimly and in Wales and Scotland lies burned out. Searching for a future the Tory party waves the Union Jack at a time when more and more people want to wave the flag farewell.

Tony Heath, *in Brecon*

FINANCIAL JOURNAL OF THE YEAR

business & city

Business news desk: tel 0171-293 2636 fax 0171-293 2098
BUSINESS & CITY EDITOR: JEREMY WARNER

Byatt faces big fight over water bill cuts

Chris Godsmark
Business Correspondent

The Environment Agency is proposing to block big cuts in water bills planned by the industry regulator and press instead for a sharp increase in spending on clean-up measures.

The move could reignite a dispute between Ian Byatt, the regulator, and the Environment Agency over how much discretionary environmental investment could be included in the water price regime.

Mr Byatt last week announced plans to make a substantial one-off cut in water bills when the five-year price control starts in 2000, following the lead of the gas and electricity regulators. Bills in the following years would also increase by no more than inflation, compared with the current controversial price formula which allows for above-inflation increases to pay for statutory investment in sewerage treatment schemes.

In soon-to-be-published evidence for the new price review, the Environment Agency will release a shopping list of discretionary improvements, on top of legal obligations, which were left out of the current price formula. The agency said the additional investment could reduce or replace the one-off price cut, a move which could damage Mr Byatt's reputation with consumers.

"Instead of having such a big one-off reduction you could have a better environment with not such a big drop in bills. These are political judgements, but there are a great many environmental improvements which need to be made," said an Environment Agency source.

The demands will form one of the first serious tests of the Government's environmental policy. John Prescott, Deputy Prime Minister, is reviewing the industry's environmental obligations and has suggested a tougher approach to clean-up measures. The price review is a four-sided process involving the regulator, the companies, the Environment Agency and the Government. The Environment Agency source said: "Ian Byatt must take into account the advice of the Secretary of State. He has to take notice of that guidance on environmental measures."

High on the list of improvements would be the Environment Agency's long-standing demand to see better control over sewerage overflows, which discharge effluent into rivers during flooding. Another measure would be to cut the amount of drinking water the companies can legally extract from rivers, a policy which the Environment Agency said had threatened river wildlife.

Similar demands during the previous price review in early 1990s led Lord Crickhowell, former chairman of the Rivers' Authority, the agency's former incarnation, to appeal to the then environment secretary, Michael Howard. At the time Mr Byatt had hoped to curb increases in bills.

The regulator won most of the battle, largely because the improvements which had to be made by law were already so large. European drinking water and bathing water directives added billions of pounds to the companies' investment plans, leaving just £500m for discretionary improvements between 1995 and 2000. Some companies were given no room at all for extra improvements.

Ofwat said there would be some space for additional spending in the next price formula, though figures were still being calculated: "Our objective is to get the one-off cut in bills and a flat profile thereafter. Ultimately this is a decision for the Secretary of State."

Robert Miller-Bakewell, water analyst at NatWest Markets, said the Environment Agency had more chance of persuading Labour than the previous government. His research suggested the water companies could have to make one-off cuts of up to 19 per cent in one case to bring down rates of return to Ofwat's target level of 8 per cent.

£1.1bn CinVen deal creates hospital giant

Nigel Cope
City Correspondent

CinVen, the venture capital group, moved to create a new force in the UK private hospitals market yesterday when it announced it was buying the healthcare interests of French conglomerate Générale des Eaux in a £1.1bn management buyout. The deal is Britain's largest MBO this decade and the largest since the £2.1bn Isosceles buyout of the Gateway supermarkets group in 1989.

The deal involves the UK and French healthcare businesses of Générale des Eaux where the local management will take control in each case. Its French business, Compagnie Générale de Santé, is the leading private hospital group in France where it is four times the size of its nearest rival.

Its UK operation, General Healthcare Group, is the second-largest private hospital operator in Britain, behind Bupa.

CinVen said it intended to merge General Healthcare with Amicus Healthcare of the UK, which it already owns. The merged group will leapfrog Bupa to become the largest private healthcare operator in the country.

Simon Rowlands, a CinVen director, said: "The European private healthcare market offers significant opportunities for expansion and we will provide the investment backing necessary to take advantage of the increasing market for private healthcare and hospital facilities and resources."

According to CinVen, future volumes in UK private healthcare are expected to grow by at least 3 to 5 per cent per year. In the French market, growth is running at an annual rate of 1.7 per cent.

The UK and French businesses will be run independently by their respective management teams. CinVen said it planned to offer equity stakes to French institutional investors. It plans no new hospitals in the UK, but in France it will spend Fr2.5bn (£255m) over the next five years.

Générale des Eaux announced in April that it was considering two offers for its health businesses. The French group will retain a 20 per cent stake in the Paris-based subsidiary Générale de Santé. The management of the UK and French divisions will have a stake of 10 per cent in their respective businesses.

The CinVen deal is the latest in a series of similar mergers and acquisitions in the rapidly consolidating private healthcare market. Only last month Bupa announced an agreed £77m deal to takeover Goldsborough Healthcare.

That was part of a flurry of nursing home deals which has seen Greenacre, Ashbourne, Apta, Court Cavendish and Quality Care Homes all snapped up by larger groups.

Paul Saper, a consultant at Laing & Buisson, said: "There is overcapacity in the sector and the larger companies are gradually snapping up the smaller ones."

He said the merger of General Healthcare and Amicus would create a powerful player with more negotiating clout with the big private insurers such as Bupa and PPP. The insurers also tend to prefer larger operators when deciding to which hospitals they will send patients.

General Healthcare has annual sales of around £250m, 6,000 employees and is involved mainly in private acute hospital care and private psychiatric care. The private acute hospital division has 26 hospitals in England with a total of 1,419 beds. In psychiatric care it has 11 hospitals with a combined total of 740 beds.

In France, the CGS business has sales of around £500m and employs 9,000 staff across a network of 98 hospitals and clinics. It has around 8,300 beds and day places.

Healthy outlook: Simon Rowlands, a CinVen director, at the Clementine Churchill Hospital in North-west London, one of the private hospitals acquired from Générale des Eaux in the £1.1bn deal

Sears in great shops giveaway

Sears, the troubled retail conglomerate, is finding it so difficult to sell its unwanted shops that it is giving away chargecards and up to £6,000 in spending money to property agents who buy them on their clients' behalf, writes Nigel Cope.

As part of a promotion called "Play Lucky Lettings" Sears is trying to offload 135 properties. Some stores are the former Facia-owned outlets which returned to Sears after the stores group run by Stephen Hinchliffe, the Sheffield entrepreneur, collapsed into receivership.

Agents who acquire properties for clients can claim a free Sears chargecard with up to £6,000 to spend. The amount depends on the shop's location. Sears is also offering cash payments and rent-free periods of up to six months. Sears denied it was a desperate measure. "It is something we have done for the past three years," a spokeswoman said. "Other retailers do it."

The company said it was a marketing initiative.

Sears is in the throes of a break-up process which will see the Selfridges department stores demerged next year while the Freemans mail order business is being sold to Littlewoods. A company doctor has been appointed to sort out the group's problematic footwear division.

SBC Warburg tops investment analysts survey

John Willcock

SBC Warburg has toppled NatWest Securities in the All Sectors League of the 1997 Extel Survey of Investment Analysts, another blow to the investment banking arm of NatWest which recently lost its chief executive, Martin Owen.

SBC Warburg, which saw its five-year winning streak ended last year with a drop to third place, came top this year by a comfortable margin. NatWest Securities slipped to second position and was hotly pursued by Merrill Lynch which made an impressive leap to third place from sixth last year.

In the UK Sectors League, SBC Warburg again stole first place from NatWest Securities, which moved to second position.

HSBC James Capel dropped from second place in 1996 to fifth in the 1997 All Sectors League. UBS retained its fourth position, while BZW slipped to sixth from fifth place last year.

Dresdner Kleinwort Benson stayed at seventh and ABN Amro Hoare Govett keep its eighth place. Goldman Sachs International regained votes and moved back to ninth, displacing Morgan Stanley International, which finished 10th.

The results of the 24th annual Extel Survey were announced at a luncheon at Guildhall in the City of London yesterday. Marjorie Scardino, chief executive of Pearson, presented the awards to the winning analysts.

For the fourth year running the 1997 All Stars rating for the top-ranked UK team went to Fergus MacLeod's Oil, Integrated team at NatWest Securities. HSBC James Capel's pharmaceutical analysts, led by Andrew Tivenan, won the top-ranked European sector team, weighted by market capitalisation and the leading economics/strategy analysts, weighted by funds under management, was the BZW Equity Market Strategy team led by Richard Kersey.

The votes for a top individual analyst once again went to Fergus MacLeod of NatWest Securities. Runner up is Charles Burrows who covers the engineering sectors for HSBC James Capel.

Demand for electronic research on the Internet is gathering momentum, according to Extel. "Seventy-six per cent of the fund managers responding this year say that they are using on-line research, compared with 60 per cent in 1996," an Extel spokesman said.

Sun Life to buy Axa for £690m

Nic Cicutti
Personal Finance Editor

Sun Life and Provincial is poised to become the third-largest UK life insurer by buying Axa Equity & Law in a complex £690m deal. Both Axa Equity & Law and Sun Life are owned by Axa-UAP, the giant French insurance company.

The enlarged Sun Life organisation, which will still be majority owned by Axa-UAP, will have £30bn in funds under management and have a stock market value of £2.5bn. Some 60 per cent of Sun Life's shares are owned by the French group which, under the terms of the deal, will see its stake increased to 72 per cent.

Sun Life said there would be one-off merger costs to the life operation of £35m in the next two years. But it will also lead to annual cost savings of more than £25m by 2000.

Among the planned cost reductions is the closure of Axa's headquarters in High Wycombe, with the transfer of staff to Sun Life's offices in Bristol.

The takeover will also lead to a single fund management company, Sun Life Asset Management (Slam), creating the UK's fifth-largest life company fund managers. Slam will be responsible for managing all assets of the combined organisation, plus UK securities sourced by other areas of the French company's overseas operations. This is expected to lead to additional cost reductions of £3m.

Lord Douro, chairman of Sun Life and Provincial, said: "The announcement is a significant move forward for Sun Life and Provincial.

"Combining Axa Equity & Law and Sun Life creates a powerful, dynamic business at the centre of the financial services market. The enlarged group will be able to build on both companies' leading positions in a number of key markets and proven track records."

The merger between Sun Life and Axa brings to an end months of speculation over the future of the two UK companies, which had operated at arm's length in the wake of the merger of their French parents last year.

Last November, Axa in effect took over UAP, which was privatised by the French government in 1994. The merged group created the world's second-largest insurance company, after Nippon Life of Japan, with £290bn in joint assets under management.

Earlier last year, UAP part-floated Sun Life and Provincial. Figures provided at the time of the two French companies' merger suggested that Sun Life, valued at about £1bn, was not only bigger than Equity & Law, but also more successful in terms of premium income from policies sold and in its curbing of management costs.

Trocadero sale heralds fresh tack

Trocadero, the AIM-listed group headed by Nigel Wray, yesterday signalled its intention to get back to its roots in leisure with a deal worth up to £210m to sell its main Trocadero and London Pavilion properties back to Burford, the property group from which it was spun out of in 1995, *writes Magnus Grimond*.

The group, which said it was actively seeking to appoint a new chief executive from the leisure industry, said the deal followed "disappointing" results from its new Segaworld entertainment centre within the Trocadero complex near London's Piccadilly Circus. One industry observer said that John Conlan, who recently left the First Leisure company, could be a candidate for chief executive.

Shares in Trocadero have slumped since peaking at 79.5p in August last year after analysts' profit forecasts were slashed as Segaworld failed to live up to expectations. Yesterday, the shares fell 2p to 28p.

Nick Leslau, who is to continue as chief executive of both Trocadero and Burford until a replacement at Trocadero can be found, said the decision to sell the two properties back had been prompted by "disappointing" earnings at the Sega joint venture. "It appears to be improving, but at the moment it appears unlikely to achieve its original budget for some time."

The demerger from Burford in November 1995 had been because Trocadero was a "hybrid", with shareholder returns from both assets and earnings, Mr Leslau said.

But the failure of earnings to materialise meant it had reverted to being a property company, with the situation complicated by last year's £13m deal to buy rights to Enid Blyton characters including the Famous Five and Noddy.

The property deal would give Trocadero net cash of around £73m after all financing commitments, he said. "It is an exciting business and will focus on media and brands businesses."

The deal involves Burford, which still owns 25 per cent of Trocadero, paying £159m on completion, with the rest staged over the next three years. The sale will lead to an accounting loss of £18m for Trocadero this year, but represents an underlying surplus of £53m over acquisition and development costs.

IN BRIEF

Rights issues underwriters warned

John Bridgeman, director-general of fair trading, gave a final warning to underwriters of rights issues that failure to introduce greater competition would result in an investigation by the Monopolies & Mergers Commission. Speaking at a conference on new forms of corporate finance, Mr Bridgeman said he was still not satisfied that there was sufficient commitment to open up the market for underwriting services to vigorous competition. "I am continuing to monitor rights issues and if markets prove incapable of reforming themselves I will have no alternative but to initiate more formal action," he said. "I am not prepared to wait much longer for real and sustained evidence of a change."

Lloyd's nominates Taylor as chairman

Max Taylor, executive director of Willis Corroon, was nominated as the new chairman of Lloyd's insurance market yesterday, a spokesman for Lloyd's said. Taylor, 49, was nominated ahead of former investment bank chief Jonathan Agnew, who was considered by many to be favourite for the position. Taylor's appointment is subject to his appointment as a member of Lloyd's ruling council.

German industrial output dips

German industrial production dipped 0.2 per cent in May, taking the year-on-year growth down to 1.5 per cent; but the fall was due to a steep drop in construction. Manufacturing output climbed by 0.5 per cent during the month to a level 4.3 per cent higher than a year earlier. This was slightly lower than in April, and the monthly gain was smaller than those recorded earlier in the year. But it confirmed most economists in their view that the German economy is slowly recovering.

United Utilities bonuses wiped out

Senior executives from United Utilities saw their annual bonuses wiped out last year because of the group's huge write-offs on its problematic construction contract in Bangkok. The annual report and accounts also confirm large increases in basic salary for directors which were announced last year. Sir Desmond Pitcher, chairman, saw his basic salary excluding pension contributions go up by 21 per cent to £310,000, though his total pay package dropped from £346,200 to £326,300 because he received no annual bonus. In 1996 he received a bonus of £76,700. The total remuneration of Brian Staples, chief executive, dropped by 21 per cent to £305,900. In 1996 Mr Staples had been paid a bonus of £142,000.

Amey wins rail contracts worth £24m

The railway division of construction group Amey has been awarded three key contracts worth £24m to improve the infrastructure in Railtrack's Western Region. Amey will carry out improvements to Western Region infrastructure including a £12m signals project and replacement of 28 miles of track in the Cardiff Valley. Amey will also carry out renewals at Bristol Temple Meads station and invest in specialist track renewal equipment.

Ferguson chief quits after profits warning

The chief executive of Ferguson International Holdings, the label manufacturer, has resigned following a profits warning. The company said David Watson would leave immediately, less than a year after he joined the board last October. Ferguson warned its first-half pre-tax profits would be lower than expected because of the "disruptive effects" of relocations in two plants in Park Royal and Pan Yu in China. Shares plunged nearly 12 per cent on the news.

Eagle Star acquires Spanish insurer

Eagle Star, the general insurance business of BAT, is buying Barcelona-based insurance company La Suiza from Swiss Life in a deal worth around £27m. BAT had said it was looking to buy a financial services business in Spain last July.

STOCK MARKETS

Indices

Index	Close	Day's change	Change(%)	1996/97 High	1996/97 Low	Yield(%)
FTSE 100	4728.30	+123.70	+2.7	4783.10	4056.60	3.45
FTSE 250	4452.50	+21.20	+0.5	4729.40	4431.30	3.72
FTSE 350	2278.30	+50.30	+2.3	2312.80	2017.90	3.50
FTSE SmallCap	2225.62	+0.38	+0.0	2374.20	2178.29	3.21
FTSE All-Share	2230.43	+45.91	+2.1	2266.11	1989.78	3.48
New York *	7727.53	+54.74	+0.7	7798.51	5032.94	1.67
Tokyo	20175.52	-429.44	-2.1	20681.07	17303.85	0.78†
Hong Kong		closed	-	15196.79	12055.17	2.82†
Frankfurt	3819.85	+34.08	+0.9	3819.85	2848.77	1.44†

Statistics as of 2 July

INTEREST RATES

Money Market Rates Index	1 Month	1 Year	Bond Yields * Medium Bond (%)	Year Ago	Long Bond	(%)Year Ago
UK	6.66	7.31	7.01	7.90	7.08	8.01
US	5.75	6.03	6.45	6.72	6.75	6.91
Japan	0.59	0.91	2.32	3.18	-	-
Germany	3.03	3.22	5.65	6.51	6.47	-

*Benchmark indices

MAIN PRICE CHANGES

Rises	Price (p)	Chg (p)	Change%	Falls	Price (p)	Chg (p)	% Change
Eurotunnel Plc/SA	69	6	9.5	MFI Furniture Gp	129	6	4.4
Wessex Water	434	30.5	7.6	IMI	332	11	3.2
Yorkshire Water	418.5	28	7.2	Hillsdown Hldgs	164	5	3.0

CURRENCIES

Pound	Yesterday	Change	Year Ago	Dollar	Yesterday	Change	Year Ago
$ (London)	1.6582	-0.61c	1.5538	£ (London)	0.6031	+0.15	0.6436
$ (N York)‡	1.6580	-0.65c	1.5405	£ (N York)‡	0.6031	+0.23	0.6491
DM (London)	2.8854	-1.47pf	2.3651	DM (London)	1.7401	-0.25pf	1.5222
¥ (London)	190.345	-Y0.101	170.423	¥ (London)	114.790	+Y0.36	109.685
£ Index	101.7	-0.5	86.3	$ Index	102.7	+0.1	97.2

OTHER INDICATORS

	Yesterday	Day's chg	Year Ago		Index	Latest	Yr Ago	Next Figs
Oil Brent $	18.84	+0.63	18.91	RPI	156.9	+0.38pc	150.9	8 Jul
Gold $	334.65	+0.1	382.00	GDP	109.7	+2.6pc	107.0	25 Jul
Gold £	201.82	-5.2	246.32	Base Rates	–	6.50pc	6.75	–

market report / shares

Data Bank

+23.1

+18.8

+10.9

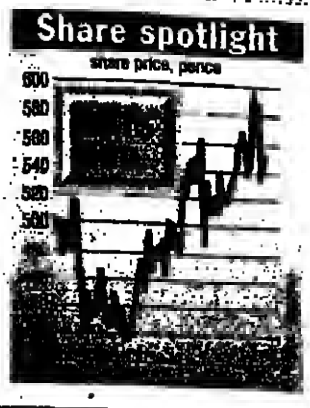
VOLUME

shares,

bargains

Share spotlight

share price, pence



BAT takes honours as it softens its stance on splitting

MARKET REPORT

DEREK PAIN

stock market reporter of the year

BAT Industries for a time took the Budget day honours. As Footsie experienced another highly volatile session, shares of the financial and tobacco giant were at one time up 18.5p to 564.5p with the stock market taking the view that the much-discussed demerger would occur sooner rather than later.

At one time BAT seemed vehemently opposed to splitting itself into two stand-alone companies, finance and tobacco. But in recent times the group's utterances have become much softer and in April chairman Lord Cairns went as far as to say he had an "open mind" on the subject.

Since then, the market believes, the balance in the BAT boardroom has moved in favour of the demerger and the only debate remaining is how it should accomplish the splits.

The tobacco side is regarded as an obvious case for a stand-alone quote, particularly as the long-running US litigation will, if the American authorities approve, soon draw to a close. *The only question is* where it should be quoted – London, New York or both.

The future of the financial operation is more complicated. Should its Allied Dunbar financial services operation and its Eagle Star insurance group be bundled together and floated? Or should they be pumped into an existing group, such as Commercial Union?

BAT's decision yesterday to buy, through Eagle Star, the Spanish insurer La Suiza for £27m seemed to indicate it felt that, with a little fattening, the financial operations were capable of standing on their *own quoted feet*.

Even so the market has not given up on a deal with CU and its shares rose 28p to 688.5p.

Footsie followed Tuesday's *extraordinary display by swinging* between a 62.8-point gain and a 12.4-point fall. It closed 23.1 higher at 4,751.4.

At its peak Footsie nudged 4,800. Once again much of the action was in blue chips with the supporting indices making only modest headway.

EMI, for long off key, was one of the Footsie leaders *with a 42.5p gain to 1,121.5p*, in belated recognition of its £132m Motown buy.

Schroders, the investment group, took up the running in *the financial sector. Although* takeover rumours are never far from the group it was comments by BZW which pushed the shares 62.5p higher to *1,697.5p. The securities house* said buy, hanging a 1,850p target on the shares.

Target prices were also offered for **Amersham International** and **British Borneo Petroleum Syndicate**. Dresdner Kleinwort Benson offered a 1,900p price for Amersham following its Norwegian merger and Lehman Brothers suggested *1,600p for Borneo*. Amersham rose 87.5p to 1,770p but Borneo dipped 2.5p to 1,442.5p.

Lehman did, however, inspire ***SmithKline Beecham***. It lifted its forecasts by £62m to £1.74bn and by £40m to £1.96bn; the shares responded with a 18p gain to 1,168p.

Eurotunnel *improved 7p to* 76p on the provisional agreement to extend its operating life.

Bass, still suffering from its Carlsberg-Tetley *reversal*, added 14p to 759p, reflecting a push from ABN Amro Hoare Govett.

But **Allied Domecq** fell 8p to 427p. PDFM, the fund management group renowned for picking up stakes in out-of-favour companies, has a 15 per cent holding.

BSkyB's long decline came to an end after the satellite broadcaster said it was preparing to hold meetings with analysts. *The shares rose 9p from* their 12-month low to 438p; they have fallen from 600p in the past few weeks.

Bakyrchik, the aspiring gold miner, came back from *suspension* after its latest cash-raising exercise. After hitting 42.5p they reached 61p, still 22.5p below their suspension *price. The shares almost* touched 600p two years ago. Bakyrchik has arranged a $45m refinancing package.

Trocadero fell 2p to 28p *following* its £210m sale and leaseback which leaves it with cash of £70m for expansion.

ILP, a paper and packaging group, fell 8p to 38.5p following a warning of *a half-year* loss; **Gibbs Mew**, the latest brewer to give up producing pints, softened 3p to 260p after rolling out the expected profits slump.

Internet Technology, the country's third-largest Internet service provider, hardened 4p to 89p after Societe Generale Strauss Turnbull described the shares, which were 110p in April, as a "strong buy".

It sees the AIM tiddler moving into profits next year, *producing* around £1.8m. In 1999, say analysts John Tysoe and Andrew Moffat, Internet should make £5m. They believe the shares should have a value of around 180p.

Taking Stock

❒ Morgan Sindall, the specialist construction group, has won orders worth around £100m so far this year.

It achieved a 71 per cent profit advance to £5.17m last year and there are hopes it will nudge £7m this time round.

The shares, up 1.5p to **167.5p, hit 229p in February. They have been weighed down by selling by a former director; the 5.3 per cent overhang has now been removed and there are hopes the rating will improve to near the sector average.**

❒ The decline of Waverley Mining continues. The shares fell 1.5p to 22p, lowest for four years.

It has been bit by an ill-fated Scottish mining investment; chief executive Willie McLucas, who dreamed of creating a mini-RTZ, quit in May.

Share Price Data

Prices are in sterling except where stated. The yield is last year's dividend, grossed up by 20 per cent, as a percentage of the share price. The price/earnings (P/E) ratio is the share price divided by last year's earnings per share, excluding exceptional items.
Other details: xr Ex rights x Ex-dividend xa Ex all u Unlisted Securities Market s Suspended pp Partly Paid pm Nil Paid Shares. ‡ AIM Stock Source: FT Information

The Independent Index

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Alcoholic Beverages
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Banks, Merchant
[illegible]

Banks, Retail
[illegible]

Breweries, Pubs & Rest
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Building/Construction
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Building Materials
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Chemicals
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Distributors
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Diversified Industrials
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Electricity
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Electronics
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Engineering
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Engineering Vehicles
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Extractive Industries
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Food Manufacturers
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Gas Distribution
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Investment Companies
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Investment Trusts
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Leisure & Hotels
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Life Assurance
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Media
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Oil Exploration
[illegible]

Oil, Integrated
[illegible]

Other Financial
[illegible]

Pharmaceuticals
[illegible]

Printing & Paper
[illegible]

Property
[illegible]

Retailers, Food
[illegible]

Retailers, General
[illegible]

Support Services
[illegible]

Telecommunications
[illegible]

Textiles & Apparel
[illegible]

Tobacco
[illegible]

Transport
[illegible]

Water
[illegible]

Government Securities

Index-linked
[illegible]

Shorts
[illegible]

Mediums
[illegible]

Longs
[illegible]

Undated
[illegible]

Pre-close Market Prices approximately 15:30

Bunzl makes $178m US offer

Bunzl, the paper to plastics group, has done a speedy about-turn on the acquisitioo of American Filtrona Corporation. Talks dating back to last year about a $72m deal to buy the fibres business of AFC from a family trust collapsed last week when the trust's own $190m bid to buy out its fellow investors in the US group was called off.

But instead of walking away, Bunzl yesterday announced it had upped its offer from the filters operation to a $178m bid for the whole company, saying it wants to keep the lot.

The City was unfazed by this apparent change of direction yesterday, sending Bunzl's shares 6.5p higher to 201p. Certainly the two groups have known each other for a very long time.

The family trusts which control 46 per cent of AFC's shares were set up by Walter and Rudolph Bunzl, part of one branch of the Viennese Bunzl family which left Austria in the 1930s to set up shop in America. The other went to Britain and established the present Bunzl.

The contacts across the Atlantic have not beeo close of late, but AFC looks to have grown into the sort of high-quality plastics and filter operation that Bunzl has also become. The logic of picking up the fibres side, which makes cigarette filters and the tips of felt-tipped pens, is clear.

Bunzl's decisioo in 1993 to set up a small US filters operation has been borne out by a doubling of the turnover last year and demands from the big tobacco companies that it build a second plant to ensure security of supply and satisfy new demand. AFC will meet that need without the need for expensive start-up costs, while enhancing Bunzl's US market share with an already high-margin business.

It is less immediately clear what adding more plastics to the group in the US will do. Bunzl already makes plastic caps and plugs to protect machinery and the like, a business which does not appear to fit neatly with AFC's precision extrusion arm, whose products go into end uses ranging from fencing to electronics. But Anthony Habgood, Bunzl chairman, says the technology is similar.

He also strenuously denies that there is any black hole at AFC which has caused WBT, the trust-controlled group which mounted the original bid, to pull out. And although the cost savings for Bunzl are likely to be small, analysts are pencilling in a £4m-£5m full-year enhancement to the bottom line as a result of the deal, plus earnings enhancement. Profits are likely to get a beating from the pound this year, but are still expected to rise to £120m, putting the shares on a forward p/e ratio of 12, which looks reasonably attractive.

THE INVESTMENT COLUMN

EDITED BY MAGNUS GRIMOND

Gibbs Mew to shut down brewery

Gibbs Mew, the Wiltshire brewer and pubs group, best known for its Bishop's Tipple ale, has decided to close down its brewery. The only real question is why it did not do it sooner. The brewery was clearly uneconomic to run and Gibbs Mew will save £300,000 a year by shutting it down. It has also avoided splashing out £500,000 on an essential refit into the bargain.

Local brewing rival Ushers will now brew Gibbs Mew's beers, a deal which will help allay fears that Ushers is too dependeot on a beer contract with Scottish & Newcastle.

But Gibbs Mew has plenty of other problems to solve. Pre-tax profits halved to £2.5m for the year to March. The results, described by chairman Tom Hedderson as "disastrous", reveal a catalogue of management mistakes.

Profits at its tenanted pub estate plummeted: Centric, the Northern tenanted pub chain it bought two years ago, has so far proved to be a costly mistake. Gibbs has finally decided to close the Centric head office, but at a cost of £475,000. Mr Hedderson also admits that Gibbs was too slow to buy new pubs after disposing of more than 40 of its worst performing outlets.

Cost over-runs in areas from distribution to marketing wiped £550,000 off the bottom line and, to top it all, Gibbs has had to withdraw Bridger'a Gold Ale, its new nitrokeg beer, which has flopped since it was launched.

Gibbs' profits should bounce back this year. It has been on a pub-buying spree in recent months and it is investing heavily in sprucing up its remaining tenanted estate. The extra money it has spent promoting its free trade business is already beginning to pay off. But Gibbs' recent history leaves a real question mark hanging over the capability of its management team.

House broker Panmure Gordon forecasts full-year profits of £4.5m, ignoring the £600,000 it will cost to close down the hrewery, putting the shares, down 3p at 260p, on a prospective multiple of 10. Bid rumours are still doing the rounds. Even so, investors should steer clear.

Burmah Castrol looks to long term

Burmah Castrol'a decision announced yesterday to dispose of its two speciality adhesive companies, Industrial Adhesives in the UK and Columbia Cement in the US, does not by itself amount to much. Between them they had a turnover of £40m last year out of a group total of £3hn. The two companies are distinct, and are being sold separately. Columbia makes adhesives for the DIY market in the US and Industrial Adhesives, which employs about 130 people in Chesham, as its name suggests supplies industrial customers in the UK and Europe.

The announcement is intended to keep employees in the picture. Discussions are already taking place for one disposal, and expressions of interest have beeo received for the other. Both should be gone by the end of the year

The businesses are profitable, and the company will probably be looking for prices roughly in line with turnover, with negligible impact on earnings per share. The £40m-odd proceeds will help finance Burmah's plans to spend around £50m on new acquisitions in core businesses within the chemicals division.

The two companies being sold were acquired in the Eighties as the core of a new division, only for other groups to get the same idea, which priced acquisitions out of Burmah's range. Taking over Foseco in 1990 gave Burmah a different focus and a much bigger challenge. But the thought that Burmah might still ourse ambitions to build the division up to critical mass has been troubling some analysts in the City, and yesterday's announcement will put an end to any such fears and could lift the glass ceiling oo the shares.

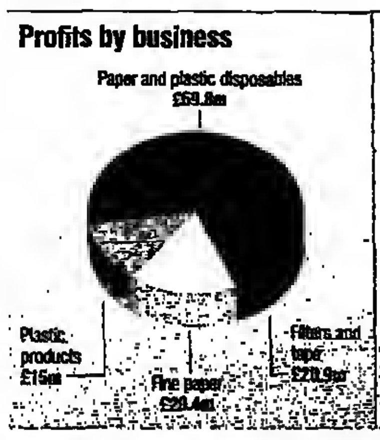
They nudged up 1p to 1021.5p yesterday which values them at under 15 times forecast earnings, assuming profits of £147m for the curreot year. But while sterling stays strong they are still only a hold for investors with a long-term view.

Bunzl: At a glance

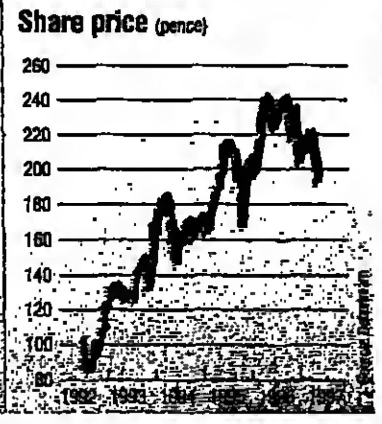
Market value: £904m, share price 201p

Five-year record	1992	1993	1994	1995	1996
Turnover (£bn)	1.31	1.52	1.82	1.78	1.80
Pre-tax profits (£m)	40.4	55.8	-4.9	106	114
Earnings per share (p)	5.6	8.8	-8.0	15.5	16.4
Dividends per share (p)	4.0	4.0	5.0	5.8	6.3

Profits by business



Share price (pence)



Scardino presents the prizes and receives one

PEOPLE & BUSINESS

It has been a busy few days for **Marjorie Scardino**, the Pearson boss. Yesterday she presented the prizes to the winning analysts in the annual Extel Survey. Then last night she hosted a reception for Pearson staff at the National Gallery, London, which is holding an exhibition dedicated to Seurat, the painter.

Today la Scardino receives an honorary fellowship from the London Business School in recognition of her "outstanding contribution to business".

Other winners of this accolade today include **Lord Blyth of Rowington**, chief executive of Boots, and **Peter Sutherland**, chief executive and managing director of Goldman Sachs International.

The gongs are being presented by the Princess Royal, who is Chancellor of the University of London.

Two former faculty members of the LBS receive Fellowships, **Sir Alan Budd**, a member of the Bank of England's Monetary Policy Committee, and **Sir James Ball**, professor of economics at the LBS.

Ewen Macpherson, chief executive of 3i, bags an Alumni Achievement Award, "to mark his success in business since graduating from LBS in 1970".

Alarming news from the accountancy profession: "Ernst & Young's entrepreneurial services practice grows two heads." Does this press announcement mean E&Y's auditors have spent too much time in nuclear power stations?

Happily, it concerns **David Wilkinson**, who has been appointed national head of entrepreoeurial services at the firm, and **Patrick Stevens**, who takes over the London side of the division. The operation, as its name implies, provides auditing and consultancy services for owner-managed businesses.

Mr Wilkinson comments:

Accolade: Marjorie Scardino gets an honorary fellowship

"I am taking over the helm ... at a time when many in the outside world probably think that the enterprise boom peaked under Mrs Thatcher.

"Nothing could be further from the truth, as some of the work I have been in involved in over the past year demonstrates, and I believe the upward trend is set to continue." So there.

My faith in a rational universe has taken another knock. We keep hearing that the new era of digital television will soon see us choosing from "500 channels". In a new book on Bill Gates and Microsoft, *Overdrive*, by James Wallace, we learn that **John Malone**, head of Tele-Communications Inc (TCI), the American cable giant, originally coined the term "500 channels" quite by accident.

"In an announcement by Malone on 2 December 1992, to reveal that TCI was going to build digital compression technology into its cable operations, Malone had picked the hypothetical number out of thin air. But it was a good round number and it stuck."

Smokers in the US might enjoy the latest marketing wheeze from Glaxo Wellcome. The company's new pill to help people quit smoking and declare their independence from cigarettes is making its way to drug stores in time for 4 July.

Forget those old-fashioned patches and nicotine gum. Glaxo's Zyban tablets offer smokers a nicotine-free way to quit the weed. **Dr Michael Fiore**, director of tobacco research at Wisconsin University, is gung-ho about the marketing idea. "There is no better time to declare your independence from nicotine," he declares. Zyban sounds like an altogether good thing. Compared to gum and patches, patients taking Zyban are less cantankerous than your average ciggy quitter and crave less.

Perusing the acres of economic analysis of Gordon Brown's first Budget, it is refreshing to turo to **William Davis**'s latest book (his fourteenth) called *Great Myths of Business*. The veteran City journalist takes a flail to the dismal science in an acidic chapter: "The myth that economics reflects reality."

Mr Davis, a former head of the British Tourist Board and ex-editor of *Punch*, writes: "This is certainly true of the people who call themselves economists. They have great influence but few seem to know how to make a fortune or run a company."

Mr Davis writes that during his years as a financial editor of the *Guardian* in the 1960s he saw how badly economists served **Harold Wilson**, himself a former Oxford don. Wilson set up a Department of Economic Affairs to revitalise Britain, and put the colourful **George Brown** at its head. It soon ended in tears, and was scrapped. Let us hope Gordoo Brown's Wise People are better value.

John Willcock

Foreign Exchange Rates as at 1/7/97

Country	Sterling Spot	Sterling 1 month	Sterling 3 months	Dollar Spot	Dollar 1 month	Dollar 3 months	D-Mark Spot
US	1.6582	14-12	42-39	1.000	-	-	0.5747
Canada	2.2889	69-68	203-197	1.3804	32-31	89-88	0.7933
Germany	2.8854	84-83	261-255	1.7401	39-38	117-116	1.0000
France	9.7229	268-257	825-789	5.8635	118-113	359-348	3.3697
Italy	2809.7	0-2	4-2	1694.4	174-179	465-490	973.785
Japan	190.34	98-97	295-291	114.79	53-51	152-151	65.9694
ECU	1.4704	30-29	96-92	1.1278	14-15	46-47	0.5096
Belgium	59.560	16.9-16.5	52.0-50.1	35.919	7.6-7.4	22.9-22.4	20.6422
Denmark	10.986	277-268	865-829	6.6254	119-115	365-356	3.8076
Netherlands	3.2478	95-93	288-281	1.9587	43-42	128-127	1.1256
Ireland	1.0920	4-3	15-12	1.5185	8-7	18-16	0.3785
Norway	12.113	331-322	1013-958	7.3046	147-142	439-419	4.1979
Spain	243.91	26.4-24.5	96.2-89.3	147.09	5-4	23-21	84.5321
Sweden	12.815	349-238	787-748	7.7281	93-88	289-279	4.4413
Switzerland	2.4200	106-105	320-315	1.4594	54-53	161-159	0.8387
Australia*	2.2020	9-3	30-20	1.3279	3-1	8-7	0.7632
Hong Kong	12.844	18-2	103-46	7.7455	5-8	13-15	4.4513
Malaysia	4.1858	34-51	102-143	2.5243	40-50	125-145	1.4507
New Zealand*	2.4419	2-5	2-14	1.4726	7-9	31-33	0.8463
Saudi Arabia	6.2195	37-33	129-110	3.7507	6-8	15-19	2.1555
Singapore	2.3709	49-44	153-141	1.4298	19-16	56-53	0.8217

Other Spot Rates as at 1/7/97

Country	Sterling	Dollar	Country	Sterling	Dollar
Argentina	1.6585	0.9999	Nigeria	140.990	85.0000
Austria	20.3027	12.2438	Oman	0.6386	0.3850
Brazil	1.7863	1.0769	Pakistan	67.0438	40.4195
China	13.7518	8.2907	Philippines	43.7864	26.3980
Egypt	5.6362	3.4000	Portugal	291.595	175.850
Finland	8.6062	5.1885	Qatar	6.0375	3.6421
Ghana	3533.03	2130.00	Russia	9598.90	5787.00
Greece	454.698	274.130	South Africa	7.5139	4.5300
India	59.3719	35.8050	Taiwan	46.1450	27.8200
Kuwait	0.5026	0.3030	UAE	6.0927	3.6732

Forward rates quoted high to low are at a discount: subtract from spot rate
Rate quoted low to high are at a premium: add to spot rate
*Dollar rates quoted as reciprocals.
For the latest foreign exchange rates call 0891 123 3033.
Calls cost 50p per minute.

Interest Rates as at 1/7/97

UK		Germany		US		Japan	
Base	6.50%	Discount	2.50%	Prime	8.50%	Discount	0.50%
France		Lombard	4.50%	Discount	5.00%	Belgium	
Intervention	3.10%	Canada		Fed Funds	5.50%	Discount	2.50%
Italy		Prime	4.75%	Spain		Central	3.00%
Discount	6.25%	Discount	2.96%	10-Day Repo	5.25%	Switzerland	
Netherlands		Denmark		Sweden		Discount	1.00%
Advances	2.90%	Discount	3.25%	Repo (Ave)	4.10%	Lombard	na %

Bond Yields as at 1/7/97

HSBC Markets Research

Country	5yr	yield %	10yr	yield %	Country	5yr	yield %	10yr	yield %
UK	7.0%	6.89	7.25%	7.01	Netherlands	6.25%	4.53	5.75%	5.53
US	6.63%	6.33	6.25%	6.45	Spain	7.90%	5.48	7.35%	6.38
Japan	5.50%	1.74	2.80%	2.53	Italy	6.25%	6.20	6.75%	6.81
Australia	10.0%	6.43	6.75%	6.90	Belgium	9.0%	4.87	6.25%	5.75
Germany	6.0%	4.67	6.0%	5.86	Sweden	13.0%	5.46	6.50%	6.58
France	4.75%	4.50	5.50%	5.53	ECU OAT	6.0%	4.97	5.50%	5.95

Yields calculated on local basis. from benchmark

Money Market Rates as at 1/7/97

	O'Night	7 Day	1 Month	3 Months	6 Months	1 Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market Deps	[illegible]	[illegible]	-	-	-	-
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	-	-
Dollar CDs	-	-	5.46	5.58	5.70	5.98
ECU Linked Dep	- -	- -	[illegible]	[illegible]	[illegible]	[illegible]

Tourist Rates as at 1/7/97

£ Buys		£ Buys		£ Buys	
Australia(Dollars)	2.1690	France(Francs)	9.4695	New Zealand(Dollars)	2.3800
Austria(Schillings)	19.7600	Germany(Marks)	2.8065	Norway(Kroner)	11.8200
Belgium(Francs)	57.9900	Greece(Drachmae)	445.0000	Portugal(Escudos)	283.5000
Canada(Dollars)	2.2380	Hong Kong(Dollars)	12.5280	Spain(Pesetas)	236.1600
Cyprus(Pounds)	0.8275	Ireland(Punts)	1.0675	Sweden(Kronor)	12.5700
Denmark(Kroner)	10.7640	Italy(Lira)	2764.0000	Switzerland(Francs)	2.3500
Holland(Guilders)	3.1500	Japan(Yen)	186.4000	Turkey(Lira)	235060.0000
Finland(Marks)	8.4500	Malta(Lira)	0.6240	United States(Dollars)	1.8275

Liffe Financial Futures as at 1/7/97

Liffe FTSE 100 Index Option as at 1/7/97

Energy as at 1/7/97

Commodity Indices

	Base date			
Index	1970=100	185.58	+0.22	215.26
Agricultural	1970=100	222.28	-0.84	231.23
Energy	1983=100	87.01	+0.76	85.86
Indust'l Metals	1977=100	184.47	+0.06	168.79
Livestock	1970=100	192.38	-0.13	191.08
Precious Metals	1973=100	416.85	+0.00	468.54

†Close as of 1 July 97

Industrial Metals as at 1/7/97

London Metal Exchange

	$/tonne Cash	3 mths	Volume	LME Stocks		chg
Aluminium HG	1585-86	1607-08	119818	670850	-	875
Aluminium Alloy	1420-30	1450-60	1156	59440	-	120
Copper A	2537-42	2404-05	42688	128325	+	3125
Lead	626-7	638-9	5840	116500	+	450
Nickel	6820-30	6990-40	26274	52284	-	96
Tin	5480-5550	5543-48	4856	11685	-	70
Zinc	1438.5-39.5	1140.5-41.5	17734	423100	-	950

Precious Metals as at 1/7/97

Agricultural as at 1/7/97

Other Softs as at 1/7/97

Unit Trust Prices

Key: xd ex dividend; c exit charge when units sold; ... Copies of the most recent managers' reports and scheme particulars are available from fund managers free on request

A more extensive list of Unit Trusts and Managed Funds, ranked by performance within each sector and including offer prices, is published in Saturday editions of the Independent

NAPP wakes up to new possibilities

Greg Wood finds the punters' pressure group is now optimistic about its future

The movers and shakers at the top end of the racing industry barely even bothered to lobby the Chancellor for tax breaks in his first Budget yesterday, but at the other end of the pile, there is renewed hope that the arrival of a new Government may herald a better deal for Britain's punters.

Three months ago, the small band of devoted campaigners who form the National Association for the Protection of Punters (NAPP) were preparing to disband their organisation, their energies finally sapped by lack of funding and the stubborn refusal of both bookmakers and administrators to acknowledge the need for consumer protection. Now, though, NAPP is planning for the future with fresh optimism, which is bad news for any bookmaker who attempts to wriggle out of payment over a legitimate winning bet.

In the last six months alone, the organisation has helped to extract almost £8,000 from bookmakers attempting to pull a fast one, including one cheque for £2,150 for Andrea Smith, a South Shields punter whose local layer refused to cough up for a successful accumulator on Frankie Dettori Day at Ascot last year.

The most disturbing aspect of this case was that *The Sporting Life*'s Green Seal Service, a self-appointed arbiter of betting disputes, had previously found in favour of the bookmaker, a decision which, almost without exception, baffled and angered any experienced backer who saw a copy of Mrs Smith's betting slip. The creation of an independent, well-publicised arbitration service to settle such disputes remains one of NAPP's priorities, since as Michael Singer, its chairman, admits, "99 per cent of punters probably don't even know we exist, so the 60 or 70 cases we take up each year are almost certainly just the tip of the iceberg."

Among the disputes on NAPP's books is one between two brothers and a bookmaker in Nottingham. "They went in every week," Singer says, "and did dozens of sports accumulators, mainly two or three quid jobs, starting in September and running for six or nine months on things like the FA Cup, Wimbledon, the Superbowl and Grand Prix racing. The bookie took them week after week, knowing full well that the chance of *them winning* was virtually nil.

"But then they hit a big one, worth £32,000 with bits and pieces which took it close to *£50,000*, and the bookmaker refused to pay. He had a six-month investigation and came up with a rule that says when the same selection is on more than one slip, they can limit payments to 33-1. I've spoken to Ladbrokes, Hills and Coral and they'd have no problem with it, they take these sort of things all the time."

It is cases like this which make it essential that NAPP not only survives, but prospers. "We were ready to give up earlier this year," Singer says. "But then we had a meeting with *Alan Meale* [a Labour MP with a particular interest in racing] and he was adamant we must not fold and promised us his full backing.

"He advised us to apply for charitable status, which would allow us to receive funding for campaigns on specific issues, and we're in the process of that at the moment. There are so many things which need to be addressed, like arbitration, levy being charged on sports bets [and then retained by the bookmaker], and representation for the punters who are paying the levy."

There is still a long way to go, but it could be that even the bookmakers have at last started to realise that what is good for their customers might actually be of benefit to them as well. The cause of Britain's put-upon punters no longer seems entirely hopeless.

Patriarch heads St Leger entries

The Derby runner-up Silver Patriarch heads a list of 50 entries for the St Leger, the final Classic, over a mile six furlongs and 132 yards at Doncaster on 13 September. The John Dunlop-trained colt, undergoing tests following his flop in last Sunday's Irish Derby, could be joined by at least four of his Epsom victims at Doncaster.

The Derby fifth the Fly, Symonds Inn (seventh), Bold Demand (ninth) and Single Empire (11th) have also been entered for the £330,000 contest. *Aidan O'Brien could* attempt to win his first British Classic with Johan Cruyff and Strawberry Roan, fourth and eight respectively in the Irish Derby. France's six entries include the Oaks second Gazelle Royale.

■ Celeric, the Gold Cup winner, may tackle the Princess Of Wales's Stakes *over a mile* and a half at Newmarket next Tuesday.

RICHARD EDMONDSON
NAP: Trojan Hero
(Yarmouth 4.00)
NB: Kolby
Haydock 2.40)

Danetime is Stewards' favourite

Danetime, an unlucky fast-finishing second in the Wokingham Handicap at Royal Ascot, dominated opening shows of betting on the Stewards' Cup after publication of the weights yesterday.

Michael Tabor's three-year-old, set to carry 8st 7lb, is a top-*priced 12-1 favourite with Coral* for the £75,000 handicap on 2 August.

Bookmakers are *taking* no chances with the colt, who was the subject of a major gamble – backed down to 7-1 favourite at the off – before going down by just a head to Selhurstpark Flyer in the Wokingham after failing to obtain a clear run.

Neville Callaghan, Danetime's trainer, is likely to give him a race next week in preparation for the six-furlong contest. He said: "I haven't made the entry yet but Danetime will probably run at Newmarket."

Ladbrokes: 8-1 Danetime, 16-1 Bishops Court, Blue Goblin, Bollin Joanne, Coastal Bluff, Perryston View, 20-1 Clan Chief, Ogg, Prince Babar, Surprise Mission, 25-1 bar.

William Hill: 10-1 Danetime, 14-1 Bishops Court, Blue Goblin, 16-1 Bollin Joanne, Clan Chief, Coastal Bluff, Cosmic Prince, Double Bounce, Ogg, 20-1 Elland, Selhurstpark Flyer, Tayseer, To The Roof, Tumbleweed Ridge, Warning Time, 25-1 bar.

Coral: 12-1 Danetime, 14-1 Bishops Court, Blue Goblin, Bollin Joanne, 16-1 Clan Chief, Ogg, 20-1 bar.

YARMOUTH

HYPERION

2.00 Never Think Twice
2.30 Fiveo'clock Shadow
3.00 SNOW KID (nap)
3.30 Icy Guest
4.00 Ajeebah
4.30 Mazboon
5.00 Bellas Gate Boy

GOING: Good to Soft. **STALLS:** Straight – far side; remainder – inside.
DRAW ADVANTAGE: None.
■ Left-hand course, level and fair.
■ Course is N of town on A140. Yarmouth station 1m. **ADMISSION:** Club £12 (OAPs £11); Tattersalls £8.50 (OAPs £7.50); Family and course enclosure £4.50 (OAPs £3.50). **CAR PARK:** £1.
■ **LEADING TRAINERS WITH RUNNERS:** H Cecil – 21 winners from 88 runners gives a success ratio of 23.9% and a loss to a £1 level stake of £32.01; C Brittain – 21 winners, 151 runners, 13.9%, +£46.45; M Bell – 15 winners, 80 runners, 18.8%, +£6.15; L Cumani – 12 winners, 64 runners, 18.8%, -£0.78.
■ **LEADING JOCKEYS:** M Hills – 26 wins, 155 rides, 16.8%, -£0.60; L Dettori – 25 wins, 127 rides, 19.7%, -£43.41; W Ryan – 22 wins, 124 rides, 17.7%, -£24.13; M Roberts – 19 wins, 115 rides, 16.5%, +£58.20.
BLINKERED FIRST TIME: None.
WINNERS IN LAST SEVEN DAYS: Arif (5.00) won at Folkestone on Friday.
LONG-DISTANCE RUNNERS: Astral Invader (2.00) has been sent 279 miles by M Saunders from Haydon, Somerset.

2.00 FRED ARMSTRONG HANDICAP (CLASS E) £4,025 added 6f Penalty Value £3,278

1	00-415	FAITH ALONE (10) (D) (BF) (Mrs R M S Neave) C Wall 4 10 0	R Mullen (5) 2
2	00-066	WILD PALM (9) (C) (Mr S Fustok) W O'Gorman 5 10 0	Emma O'Gorman 3 V
3	20-000	OBERON'S DART (IRE) (12) (Mr Peter Wragg) P Makin 4 10 0	S Sanders 5
4	300-01	DON PEPE (22) (CD) (Mrs Elaine Aird) R Boss 8 9 10	K Fallon 6
5	2-2522	NEVER THINK TWICE (9) (D) (BF) (Mr K T Ivory) K Ivory 4 8 7	Martin Dwyer (3) 1 8
6	65-000	SHAVINSKY (28) (King Size Racing) P Howling 4 8 12	Paul Eddery 8
7	560600	SHARP RETURN (31) (D) (Mrs Teresa Baron) LJ Ryan 3 8 9	N Day 10
8	500001	ARNIE (IRE) (13) (D) (Mr T Amour) J Poulton 5 8 4	Aimee Cook (5) 9 8
9	010005	ASTRAL INVADER (IRE) (14) (D) (Mr M S Saunders) M Saunders 5 8 1	J Quinn 7
10	000-0-	ETERNALLY GRATEFUL (385) (Mrs Deborah Crowley) K Ivory 4 7 10	S Carson (7) 4

– 10 declared –

Minimum weight: 7st 10lb. True handicap weight: Eternally Grateful 7st 9lb.
BETTING: 11-4 Never Think Twice, 7-2 Faith Alone, 4-1 Don Pepe, 13-2 Wild Palm, 7-1 Arnie, 10-1 Astral Invader, 14-1 Sharp Return, 16-1 Oberon's Dart, 20-1 Shavinsky, 33-1 Eternally Grateful
1996: Cheeky Chappy 5 9 0 J Quinn 7-2 (D Chapman) drawn (6) 7 ran

FORM GUIDE
Three days after being touched off by Don Pepe (rec 10lb) over the course and distance on ...

2.30 DUNSTON SELLING STAKES (CLASS G) £3,000 added 2YO 6f Penalty Value £2,406

3	3250	FIVEO'CLOCK SHADOW (IRE) (7) (Mrs O E Blackshaw) S Meehan 8 11	... 10
4	65	FRED'S IN THE KNOW (22) (In The Know Partnership) C Murray 8 11	J Quinn 4
5	055425	NEWHARGEN (IRE) (16) (Mr Paul Green (Huyton)) P Evans 8 11	K Fallon 1 8
6	00	HIGH CARRY (10) (Mr Giles W Pritchard-Gordon) J Banks 8 6	J Stack 5
7	0	JAYBEE SILVER (55) (Mr John Bull) M Tompkins 8 6	M Biggs 2
8	00	KATIES TREAT (IRE) (14) (Mrs R Nash) D Thom 8 8	D Harrison 11
9	0	LA VIZELLE (IRE) (9) (Matthews Breeding and Racing) R Guest 8 6	J Reid 3
10	00	RUTHS GEM (IRE) (14) (Mrs R Nash) D Thom 8 6	W Ryan 8
11		TENDER DOLL (IRE) (The Select Newmarket Partnership) C Dwyer 8 8	Jo Hunnam (7) 6

– 11 declared –

BETTING: 6-4 Five O'Clock Shadow, 5-1 Newhargen, 6-1 Captain Biles, 8-1 Estopped, La Vizelle, 10-1 Tender Doll, 12-1 Jaybee Silver, 20-1 Fred's In The Know, High Carry, 25-1 others
1996: Rototo 2 8 6 T Quinn 15-8 fav (B McMath) drawn (4) 6 ran

FORM GUIDE
There has not been too much promise from the vast majority of these, and even FIVEO'CLOCK SHADOW has failed to go on from his second to subsequent Windsor Castle third Aungry in a Brighton maiden on fast ground in early May. That run flatters him, of course, but he has been tackling better company than this and ought to be seen to better advantage in this grade if handling the slower ground. Estopped's first appearance was when fourth, three-quarters of a length ahead of Newhargen, behind subsequent winner Only For Gold in the *mud at Chester in May. Newhargen has had his chances* since then, and although Estopped has not been sighted in two subsequent outings, he has been tackling better company. Chris Dwyer won the juvenile seller at the last meeting and his newcomer, Tender Doll, might be worth watching, and La Vizelle can surely do better than she did at Warwick on her debut. Captain Biles keeps finding two or three too good. Selection: FIVEO'CLOCK SHADOW

3.00 HEMSBY STAKES (CLASS C) £7,500 added 7f Penalty Value £5,188

1	0-1460	ROYALE FIGURINE (13) (C) (Mr Craig Pearman) M ...	
2	11	SNOW KID (8) (D) (Mr Al Saeed) O Loder 3 8 12	
3	110-0	FUN GALORE (USA) (49) (D) (Miss H Al Maktoum) ...	
4	164-6	SHOCK VALUE (IRE) (77) (Mr Saeed Hasa) M Stoute ...	
5	214-	HAKKAANIYAH (348) (Mr Hamdan Al Maktoum) D M...	
6	151-2	IMROZ (USA) (37) (D) (BF) (Mr K Abdulla) H Cecil 3 ...	

– 6 declared –

BETTING: 7-4 Imroz, 9-4 Snow Kid, 4-1 Royal Figurine, 6-1 Shock Value ...
1996: Branston Abby 7 9 3 D Holland 100-30 co fav (M Johnston) ...

FORM GUIDE
SNOW KID, an Indian Ridge colt, evidently wants plenty of ... all-weather with the easiest of wins last month at Wolverhampton ... with equal disdain at Salisbury (good to soft) eight days ... rungs up the ladder, but he is open to further improvement ... the ground remains in his favour. Imroz was backed as ... Ascot on King George day last year following an exciting ... defeated she was and she then made heavy weather of ... race over this trip on fast ground at Leicester. Reappearing ... er, Imroz finished strongly when failing to peg back Wol... longer trip is a must and she gets 6lb plus a sex allowance ... will suit her more than Leicester first time and has plenty ... weight and a beating to the younger horses at Bath on he... credited in the two big sprints on consecutive days at Roy... in foal to Most Welcome, but it is not known how she w... Fun Galore, Hakkaaniyah and Shock Value, in particular, ... right but probably out of their depth here.

3.30 LODDON HANDICAP (CLASS D) £4,900 added fillies & mares 7f Penalty Value £3,869

1	30-64	LISTED ACCOUNT (USA) (30) (Mr Robert H Smith) L ...	
2	6-235	ICY GUEST (USA) (8) (BF) (Dr Carlos E Stelling) P Ma...	
3	6-00	MY GIRL LUCY (23) (Mrs Prance Mitchell) P Mitchell ...	
4	0-6000	KARISMA (IRE) (C) (D) (Mr Geoff Whiting) M Chapman ...	

FORM GUIDE
... to form at Nottingham last month and, even if she did not do too much here last night, she certainly would not be out of it with the weight she gets. Selection: LISTED ACCOUNT

4.00 CATFIELD CLAIMING STAKES (CLASS F) £3,300 added 1m Penalty Value £2,670

1	00-461	TROJAN HERO (SAF) (21) (D) (Mr C C Buckley) Mrs M Reveley 8 9 8	K Fallon 10
2	155022	WHAT A FUSS (3) (Mr B Hanbury) B Hanbury 4 9 9	J Stack 5
3	-20100	HEVER GOLF EAGLE (52) (Hever Racing Club) T Naughton 4 8 13	S Sanders 8
4	000042	SPANISH STRIPPER (USA) (14) (Mr Tony Satchell) M Chapman 8 8 13	S Carson (7) 7
5	00-605	CROSS OF VALOUR (5) (Six Furlong Racing Club) P Howling 4 8 12	Paul Eddery 11
6	35-210	SPANIARD'S MOUNT (5) (Mr B Schmidt-Bodner) M Tompkins 3 8 11	N Henry (3) 5
7	50-020	SODA POP (IRE) (20) (Mr A J Richards) C Brittain 3 8 9	W Ryan 2

...
8	00-400	PRUDENT PRINCESS (20) (Miss V R Jarvis) A Hide 5 8 5	S Bardwell 3 V
9	5	AJEEBAH (IRE) (10) (Mr Ahmed Al Shafar) W Haggas 3 8 4	R Hills 9
10	00	CERTAINTY (14) (Dr Catherine Wills) J Fanshawe 3 8 4	D Harrison 1
11	040-	TYROLEAN DANCER (IRE) (248) (Sharp Racing) S Woods 3 8 4	D Biggs 4

– 11 declared –

BETTING: 6-4 Trojan Hero, 5-1 Ajeebah, 11-2 What A Fuss, 8-1 Spaniard's Mount, 13-2 Soda Pop, 12-1 Spanish Stripper, 14-1 Tyrolean Dancer, 20-1 Hever Golf Eagle, 25-1 Certainty, 33-1 others
1996: Blockade 7 9 0 LJ Fenton 7-4 fav (M Bell) drawn (3) 5 ran

FORM GUIDE
TROJAN HERO had apparently decent winning form in South Africa and he certainly looked different class when beating Rochea (rec 26lb) and subsequent winner Scaraben easing up in similar company on fast ground at Leicester last month, after which he was claimed for ...

4.30 E.B.F. HAPPISBURGH NOVICE STAKES (CLASS D) £5,000 added 2YO 7f Penalty Value £3,720

1		MAZBOON (USA) (21) (Mr Hamdan Al Maktoum) E Dunlop 9 4	R Hills 5
2	2103	TIMEKEEPER (USA) (7) (Sir C M Ward) M Bell 9 2	R Mullen (5) 1
3	01	...	M Tebbutt 4
4		LOVE PIPER (Sir Saeed Manana) C Brittain 8 12	W Ryan 2
5	1	BEHOLD (37) (Cheveley Park Stud) J Fanshawe 8 11	D Harrison 3

BETTING: 4-5 Mazboon, 7-2 Behold, 4-1 Timekeeper, 10-1 Love Piper, 20-1 Kira's Brave
1996: No corresponding race

FORM GUIDE
Rarely is there a bad maiden at Newbury and the form of the one MAZBOON won from 17 others last month was boosted when fourth-placed Classic Manoeuvre went on to occupy a similar position in Royal Ascot's Chesham Stakes. ... Selection: MAZBOON

5.00 HICKLING LADY RIDERS' HANDICAP (CLASS E) £3,000 added 1m 2f 21yds Penalty Value £2,322

		...	... (5) 7
		...	... (5) 9
		...	... 1
		...	... (5) 6
		...	... 3
		...	... 4
		...	... (5) 9 8
		...	... (5) 10
		...	... (5) 6
		...	... Bosley 2

FORM GUIDE
Not only has BLOCKADE gone particularly well for an inexperienced rider this season, the tubed eight-year-old, formerly a front-runner over seven furlongs and a mile, has taken on a new lease of life by being held up over this longer trip. He had Acerbus Dulcis back in fourth when hacking up over the course and distance in May and the faster pace these races are invariably run at should suit him more than the steadier pace when running on in fourth behind American Whisper here 10 days ago. Bellas Gate Boy's latest running at Wolverhampton can be overlooked. He and Lydia Pearce interrupted Marjaana's winning run over seven furlongs at Lingfield at the end of May and, although 6lb worse in (with claims), is taken to confirm the form over this extra three furlongs trip. He saw the trip out well enough when second to Chris's Lad, two and a half lengths in front of Acerbus Dulcis (9lb worse off), over a mile and a half at Newmarket last month. Selection: BLOCKADE

HAYDOCK

HYPERION

2.10 Caudillo (nb) 2.40 Kolby 3.10 Sheltering Sky 3.40 Kathryn's Pet 4.10 Foist 4.40 Thornby Park

GOING: Good to Soft.
STALLS: 7f – inside; 1m 6f – centre; 6f & 1m 4f – outside.
DRAW ADVANTAGE: High for 5f to 6f; Low from 7f to 1m.
■ Almost flat, oval course; straight 6f course.
■ Course is near junction of A580 and M6. Newton station 2m. **ADMISSION:** County Stand £15; Tattersalls £9; Newton Stand £4 (OAPs half-price in Tattersalls and Newton Stand). *CAR PARK:* Free.
BLINKERED FIRST TIME: Hope Value (2.10), Sylvan Cloud (2.40) (visored).
WINNERS IN LAST SEVEN DAYS: Thornby Park (4.40) won at Goodwood on Friday.
LONG-DISTANCE RUNNERS: Sheltering Sky (3.10) & Thornby Park (4.40) have been sent 238 miles by J Dunlop from Arundel, West Sussex.

2.10 HALEWOOD APPRENTICE HANDICAP (CLASS E) £4,100 added 7f

1	00-2072	CAUDILLO (7) Mrs P Duffield 4 9 10	D McGaffin (3) 4
2	0-0160	BRANDONVILLE (18) (D) N Tinkler 4 9 9	R Studholme (5) 7
3	00-406	NKAPEN ROCKS (SPA) (12) J H Wilson 4 9 4	K Sked 6
4	2-5036	AMOEBA (22) A Bailey 4 8 13	R Cody-Boutcher (5) 1 8
5	405675	HEATHYARDS LADY (18) (D) R Hollinshead 6 8 11	P Fredericks (5) 8
6	100100	THEATRE MAGIC (12) (D) D Shaw 4 8 9	S Righton (5) 2
7	006420	BALLARD LADY (26) (CD) J Wainwright 5 8 7	P Doe (3) 5
8	0-0004	NORTHERN JUDGE (6) (D) A James 4 8 4	G Milligan 3 6
9	0601-4	PRIME PARTNER (7) T Easterby 4 8 4	R Winston 9

– 9 declared –

BETTING: 11-4 Caudillo, 7-2 Ballard Lady, 4-1 Nkapen Rocks, 8-1 Northern Judge, 7-1 Prime Partner, 10-1 Brandonville, 12-1 Amoeba, 14-1 Theatre Magic, Heathyards Lady

2.40 SUMMER SELLING STAKES (CLASS F) £3,300 added 2YO 6f

1	0	HOPE VALUE (16) T Easterby 8 11	Dean McKeown 2 B
2	7	KOLBY (17) (BF) A Bailey 8 11	D Wright 6 B
3	005	SLIM PRIOR (9) K Burke 8 11	Dane O'Neill 7
4	576	TINDAYA (27) P Evans 8 11	A Culhane 4
5	000	COMPANYS GAMBLE (58) B Baugh 8 6	N Carlisle 6
6	00	STRAVSEA (17) R Baugh 8 6	...
7	3050	SYLVAN CLOUD (12) C Fairhurst 8 6	Darren Moffatt (3) 1 V
8	00	THREE TENNERS (21) J Berry 8 6	K Darley 5

– 8 declared –

BETTING: 4-5 Kolby, 9-2 Tindaya, 5-1 Three Tenners, 7-1 Hope Value, 14-1 Slim Prior, 20-1 Sylvan Cloud, 25-1 Company's Gamble, 33-1 Stravsea

3.10 HEUBACH MAIDEN STAKES (CLASS D) £5,000 added 3YO 7f

1		BEAU TUDOR Mrs L Siddall 9 0	T Siddall (7) 7
2		BUSHWHACKER C Fairhurst 9 0	R Hughes 11
3		BUSTOPHER JONES C Egerton 9 0	Dane O'Neill 2
4	0	GENERAL HASTIE (18) C Thornton 9 0	Dean McKeown 1
5	0	INGLEBOROUGH (15) D Moffatt 9 0	Darren Moffatt (3) 14
6	0-0532	KHAFAAQ (22) W R Hern 9 0	T Sprake 5
7	5-	PERFECT BEAR (387) Mrs S Smith 9 0	O Pears (3) 6
8	60	PHARLY STAR (28) O Shaw 9 0	C Teague (3) 4
9	8	SHELTERING SKY (33) J Dunlop 9 0	K Darley 12
10	00	TARDIEN (21) K Burke 9 0	R Doyle 10
11	4003-0	DANEHILL PRINCESS (173) R Hollinshead 8 9	D Griffiths (3) 8
12		MADGE'S PET G Barnett 8 9	N Carlisle 9
13	0	POLEAXE (10) Mrs J Cecil 8 9	J Tate 3
14	362-6	SUMMEROSA (40) P Chapple-Hyam 8 9	R Havlin (3) 13

– 14 declared –

BETTING: 15-8 Sheltering Sky, 3-1 Khafaaq, 9-2 Summerosa, 6-1 Poleaxe, 10-1 Bushwhacker, 14-1 General Hastie, Danehill Princess, Bustopher Jones, 20-1 Tardien, Ingleborough, 25-1 others

3.40 WEATHERBYS HANDICAP fillies & mares (CLASS D) £5,000 added 1m 4f

1	154-20	MADAME CHINNERY (14) J Eustace 3 9 12	J Tate 4
2	-32465	PEPPERS (8) (BF) K Burke 4 9 11	B Doyle 1
3	142231	KATHRYN'S PET (6) (D) Mrs M Reveley 4 9 11 (5ex)	A Culhane 6
4	6000-0	DEBUTANTE DAYS (19) (C) A Stewart 5 9 10	R Hughes 2
5	35-624	BALLY SOUZA (9) M Johnston 3 9 7	J Weaver 6
6	20-036	DALWHINNIE (13) J Wharton 4 9 5	K Darley 3

– 6 declared –

BETTING: 9-4 Kathryn's Pet, 3-1 Bally Souza, 4-1 Dalwhinnie, 9-2 Madame Chinnery, 6-1 Peppers, 10-1 Debutante Days

4.10 ECCLES HANDICAP (CLASS D) £5,000 added 6f

1	424040	GARNOCK VALLEY (5) (CD) J Berry 7 9 13	G Carter 12 8
2	20-330	MALTEANIA (68) (D) S Bowring 4 9 9	S Webster 7 8
3	-04004	DEPRECIATE (12) (D) C James 4 9 8	C Rutter 1
4	0-236	FREDERICK JAMES (13) M Heaton-Ellis 3 9 6	S Whitworth 3
5	3300-0	DESERT LYNX (8) (D) T Watson 4 9 5	R Hughes 13
6	263036	BEE HEALTH BOY (5) (CD) M W Easterby 4 9 4	G Parkin (5) 10 B
7	2120-0	IMPOSING TIME (3) (D) Guy Kelleway 6 9 4	J Weaver 9
8	121400	FOIST (19) (D) M W Easterby 5 9 2	K Darley 4
9	062050	SAFIO (66) A Bailey 4 9 0	D Wright 6
10	/0-005	CRISSEM (8) (C) R Hollinshead 4 8 13	F Lynch 6
11	001000	HALMANERROR (19) (D) Mrs J Ramsden 7 8 12	Dean McKeown 11
12	00-060	MACGILLYCUDDY (8) (D) Mrs P Duffield 8 8 10	T E Durcan (5) 2 9
13	-05402	BOLLIN DOROTHY (26) T Easterby 4 8 2	T Williams 5

– 13 declared –

BETTING: 4-1 Bee Health Boy, 6-1 Bollin Dorothy, 6-1 Foist, 7-1 Safio, 8-1 Garnock Valley, 10-1 Malteania, Halmanerror, 12-1 Imposing Time, Crissem, 16-1 Depreciate, Frederick James, Desert Lynx, 20-1 Macgillycuddy

4.40 HOUGHTON GREEN HANDICAP (CLASS D) £5,000 added 3YO 1m 6f

1	06-421	THORNBY PARK (6) (D) J Dunlop 9 11 (4ex)	T Sprake 9
2	5-14	BRAND NEW DANCE (36) D Arbuthnot 9 4	S Whitworth 1
3	36224	FOREIGN RULE (24) P Chapple-Hyam 9 1	R Havlin (3) 3
4	6-53	ISHTISAR (20) P Walwyn 8 13	R Hughes 4
5	450440	WARRLIN (8) C Fairhurst 8 1	G Carter 5
6	320142	SKELTON SOVEREIGN (6) R Hollinshead 7 11	R Ffrench (5) 2

– 6 declared –

BETTING: 11-8 Thornby Park, 2-1 Brand New Dance, 4-1 Foreign Rule, 7-1 Ishtisar, 10-1 Skelton Sovereign, 12-1 Warrlin

CATTERICK

HYPERION

2.20 Oriel Girl 2.50 Durgams First 3.20 Itatinga 3.50 High Spirits 4.20 Terdad 4.50 William's Well

GOING: Good to Soft.
STALLS: 6f – outside; remainder – inside.
DRAW ADVANTAGE: Low for 5f, when stalls far side.
■ Left-hand course, undulating and sharp. Not suitable for the long-striding horse.
■ Course is NW of town on A6136. Darlington station 14m - bus service to course. **ADMISSION:** Club £11; Tattersalls £7; Course £2.50 (under 16s free into all enclosures). **CAR PARK:** Reserved area £2, remainder Free.
BLINKERED FIRST TIME: Sharp Pet, Turf Moor (2.20), Gymcrak Tiger (2.50), Wagga Moon (3.50), Angry Albert (2.20) (visored), *Oriel Girl* (2.20) (visored).
WINNERS IN LAST SEVEN DAYS: Terdad (4.20) won at Musselburgh on Monday; Rum Lad (4.50) won at Carlisle on Thursday.
LONG-DISTANCE RUNNERS: Walkabout (3.20), Muscatana (3.50) & Statoyork (4.20) have been sent 235 miles by B Hills from Lambourn, Berkshire.

2.20 SAINT-CLOUD SELLING STAKES (CLASS G) £2,875 added 2YO 5f

1	005	ANGRY ALBERT (10) C Smith 8 11	C Lowther (7) 11 V
2	5	BOCCOLINO (24) T D Barron 8 11	R Lappin 1
3	00504	GENERAL JOEY (7) M Dods 8 11	P Roberts (5) 4 B
4	0080	HAYBURNER (6) M W Easterby 8 11	T Lucas 14
5	0515	WILFRED SHERMAN (53) (D) J Berry 8 11	P Fessey (3) 12
6	300	BEECHWOOD QUEST (6) B Rothwell 8 6	L Charnock 4 D
7	00	CANDY TWIST (21) Ron Thompson 8 6	J Bramhill (5) 7
8	5	DISPOL EMERALD (15) S Kettlewell 8 6	J Fortune 13
9	00	E B TREASURE (7) N Bycroft 8 8	D Holland 10
10	420533	ORIEL GIRL (10) P Evans 8 6	J F Egan 15 V
11	330	SEA IMP (72) (BF) M Meade 8 6	R Brisland (7) 2
12	00	SHARP PET (53) O McCain 8 6	G Duffield 3 B
13	0	SHIRLEYS GIRL (6) W Storey 8 6	N Kennedy 6
14	665	TALAHEART (6) C Allen 8 6	J D Smith (3) 9 9
15	25	TURF MOOR (45) J J O'Neill 8 6	J Carroll 5 B

– 15 declared –

BETTING: 15-8 Oriel Girl, 6-1 Beechwood Quest, 13-2 Sea Imp, 7-1 Boccolino, 8-1 Wilfred Sherman, 10-1 Turf Moor, Dispol Emerald, 14-1 General Joey, 16-1 Hayburner, Talaheart, 20-1 Angry Albert, 33-1 others

2.50 'TURMERIC' HANDICAP (CLASS E) £4,025 added 1m 7f 177yds

1	421212	HASTA LA VISTA (10) (C) (D) M W Easterby 7 9 10	L Dettori 6 8
2	000/00	GYMCRAK TIGER (54) G Holmes 7 9 8	J Fortune 2 B
3	046104	DURGAMS FIRST (7) (C) Mrs M Reveley 5 9 6	C Lowther (7) 1
4	06562-	KARAYLAR (308) W Storey 5 9 2	J Fanning 7
5	0-0403	ZAMHAREER (10) (D) W Storey 6 9 1	Iona Wands (5) 4
6	315514	TANCRED MISCHIEF (3) (D) D Baker 6 8 12	Jenny Benson (7) 5
7	00/050	GYMCRAK CYRANO (12) N Chamberlain 8 8 4	N Kennedy 3

– 7 declared –

BETTING: 5-4 Hasta La Vista, 11-4 Durgams First, 4-1 Tancred Mischief, 12-1 Zamhareer, 14-1 Karaylar, Gymcrak Cyrano, 16-1 Gymcrak Tiger

3.20 RATING RELATED MAIDEN STAKES (CLASS F) £3,300 added 3YO 1m 5f 175yds

1	0046	WALKABOUT (19) B Hills 9 0	D Holland 1
2	0-502	WELLCOME INN (9) J O'Reilly 9 0	J O'Reilly 4
3	40-0	ITATINGA (46) LI Stoute 8 11	G Duffield 2
4	3-0643	QUEST FOR BEST (13) J Gosden 8 11	L Dettori 3 V

– 4 declared –

BETTING: 7-4 Itatinga, 9-4 Quest For Best, 5-2 Walkabout, 6-1 Wellcome Inn

3.50 LONGCHAMP HANDICAP (CLASS D) £4,900 added 3YO 7f

1	620-32	LITERARY (22) J Gosden 9 7	L Dettori 9
2	620005	BARITONE (9) J Watts 9 3	G Duffield 7
3	00-040	GRATE TIMES (13) (CD) E Weymes 8 11	Dale Gibson 2
4	0-1042	MUSCATANA (5) (CD) B Hills 8 10	D Holland 11
5	-10050	THREE FOR A POUND (14) (C) J Glover 8 9	J Fortune 1
6	0-053	HULAL (12) A Stewart 8 6	J Carroll 3
7	0-3006	WAGGA MOON (12) J J O'Neill 8 8	C Lowther (7) 12 B
8	2155-0	TAZIBARI (17) D Moffatt 8 4	J F Egan 5
9	003141	HIGH SPIRITS (10) (CD) T Easterby 8 4 (6ex)	L Charnock 9 9
10	00-0	RUSSIAN ASPECT (14) M W Easterby 8 2	T Lucas 6
11	0-0080	TREASURE HILL (42) D Chapman 7 10	P Fessey (3) 4
12	0-0600	DR WOODSTOCK (12) M Meade 7 10	R Brisland (7) 10
13	500066	HI MUJTAHID (7) S Kettlewell 7 10	N Kennedy 13

– 13 declared –

Minimum weight: 7st 10lb. True handicap weights: Treasure Hill 7st 6lb, Dr Woodstock 7st 2lb, Hi Mujtahid 7st 0lb.
BETTING: 9-4 High Spirits, 4-1 Muscatana, 6-1 Hulal, 6-1 Literary, 10-1 Baritone, 12-1 Three For A Pound, 14-1 Wagga Moon, 16-1 Grate Times, Tazibari, 20-1 Russian Aspect, 25-1 others

4.20 DEAUVILLE LIMITED STAKES (CLASS F) £3,300 added 7f

1	045321	TERDAD (3) (D) T D Barron 4 9 0	J Carroll 6
2	250-00	DUNMER GOLF TIME (27) (D) (BF) Lord Huntingdon 4 8 11	L Dettori 7 V
3	-06520	LEGAL ISSUE (25) (CD) W Haigh 5 8 11	R Lappin 5
4	3-0413	SHARP 'N' SHADY (5) (D) (BF) C Wall 4 8 11	G Duffield 9
5	0-4020	STATOYORK (12) (D) B Hills 4 8 11	D Holland 1
6	5060-0	KISSEL (16) S Kettlewell 5 8 8	J Fortune 2
7	500020	OHNONOTAGAIN (22) C Lloyd-James 5 8 8	Kim Tinkler 4

– 7 declared –

BETTING: 5-2 Sharp 'N' Shady, 11-4 Statoyork, 3-1 Dunmer Golf Time, 4-1 Terdad, 12-1 Kissel, 16-1 Legal Issue, 25-1 Ohnonotagain

4.50 AUTEUIL HANDICAP (CLASS E) £4,025 added 3YO 5f 212yds

1	230623	TWO ON THE BRIDGE (12) D Smith 9 7	C Lowther (7) 2
2	441541	RUM LAD (7) (CD) J J Quinn 9 5 (7ex)	J Lowe 4
3	-33602	PRINCE OF PARKES (10) J Berry 9 4	P Roberts (5) 6 B
4	005112	WILLIAM'S WELL (7) (C) (BF) M W Easterby 9 1	L Dettori 5 8
5	52-332	DONNA'S DANCER (15) N Tinkler 8 13	Kim Tinkler 3 B
6	03660	PROMINENT (10) Mrs V Aconley 8 12	M Deering 7
7	-00412	KING UNO (7) (D) (BF) Mrs J Ramsden 8 5	J Fortune 1 V

– 7 declared –

BETTING: 5-2 William's Well, 3-1 Two On The Bridge, 7-2 King Uno, 11-2 Rum Lad, 8-1 Prince Of Parkes, Donna's Dancer, 25-1 Prominent

RACING RESULTS

FOLKESTONE

2.30: 1. *NEXT ROUND* (M Fenton) 9-4; 2. Flow By 9-2; 3. Fawning 25-1. 12 ran. 2-1 fav Lalin Nexus (5th). 1½, 4. (M Bell, Newmarket). Tote: £3.20; £1.30, £2.90, £13.30. DF: £11.50. CSF: £13.07. Trio: £260.60; £88.12 carried forward to Haydock 4.10 today.

3.00: 1. ITSINTHEPOST (C Rutter) 16-1; 2. Sea Spouse 10-1; 3. Castel Rosselo 5-2 fav. 4. With A Will 10-1. 16 ran. 2, 2, nk. (V Soane, Aston Rowant). Tote: £22.40; £3.00, £2.10, £1.30, £3.70. DF: £59.80. CSF: £164.77. Tricast: £527.08. Trio: £115.60.

3.30: 1. EASTWELL MINSTREL (J Lowe) 6-1; 2. Verdant Express 3-1; 3. Bradbury Falls 3-1. 4 ran. 11-10 fav Jack N Jill (4th). ... (R Curtis, Epsom). Tote: £7.50. DF: £13.50. CSF: £26.89.

4.00: 1. ZAFARELLI (S Sanders) 10-1; 2. Nick of Time 7-1; 3. Cadbury Castle 20-1. 13 ran. 4-1 fav Nile Valley. 2, 3½. (J Jenkins, Royston). Tote: £12.00; £3.30, £2.50, £5.40. DF: £38.10. CSF: £70.72. Tricast: £1,273.65. Trio: £256.10

4.30: 1. STAHR (C Rutter) 17-2; 2. Bromhallow 10-1; 3. Glow Forum 7-2 jt fav. 13 ran. 7-2 jt fav Tonka. 4, nk. (H Candy, Wantage). Tote: £10.60; £3.50, £3.10, £1.50. DF: £70.80. CSF: £92.14. Tricast: £334.67. Trio: £140.60.

5.00: 1. JONA HOLLEY (C Rutter) 100-30 fav; 2. What A Fuss 11-2; 3. Battle Ground 11-1. 14 ran. 3, nk. (G L Moore, Brighton). Tote: £4.30; £2.00, £2.20, £4.00. DF: £12.20. CSF: £21.20. Tricast: £179.61. Trio: £76.20. NR: African-Pard.
Jackpot: Not won, £4,857.94 carried forward to Haydock today.
Placepot: £5,711.40. Quadpot: £567.60.
Place 6: £2120.06. Place 5: £924.07.

Coastal Bluff may run in July Cup

The trainer David Barron could delay Coastal Bluff's reappearance once again to launch a surprise attempt on next week's Group One July Cup at Newmarket.

Last year's Stewards' Cup and Ayr Gold Cup winner had been pencilled in for Saturday's Listed Sandown Park Sprint Stakes. However, his trainer said yesterday: "Our other option is the July Cup.

"I have spoken to the owner and Kevin Darley is coming down to ride him in a gallop tomorrow. If he were to work exceptionally well he might go straight to the July Cup."

Coastal Bluff has been slow to come to hand this term and is unraced since last September, missing his latest intended return to action at Newcastle last Saturday because of unsuitably soft going.

He has been entered for the Stewards' Cup again this year but Barron said he is unlikely to run: "We will just have to see how he gets on in his first run of the season.

"It was an entry made just in case he misfired. He is more likely to go for the bigger sprints, and if he were to pick up a penalty, he definitely wouldn't run in the Stewards' Cup."

Lions count casualties

Rugby Union
CHRIS HEWETT
reports from Johannesburg

The walking wounded are becoming legion. The Lions selectors went into their final Test deliberations last night having forfeited five players, four of them integral components of the *first-choice* squad, in the course of a frantic day's activity on the treatment table. As a result, the available options for this weekend's last hurrah with the Springboks in Johannesburg were dramatically curtailed.

Keith Wood, such an influential figure in the Test victories at *Newlands* and *King's Park*, will miss the finale because of severe groin trouble and Alan Tait, the Scottish utility back whose try topped and tailed the opening triumph in Cape Town, has also given best to a similar condition.

Meanwhile, Jason Leonard, the most experienced prop forward in the party, suffered a serious tear of a thigh muscle during Tuesday's win over Northern Free State and was not only ruled out of contention but also England's one-off international against Australia in Sydney on Saturday week. Kyran Bracken, the scrum-half, may yet make it *Down Under but the collar-bone* injury he collected in Welkom gives him no chance of a meaningful role at Ellis Park.

But perhaps the unluckiest casualty was Eric Miller, the 21-year-old Irish No 8 who would have played in the first Test had he not fallen victim to a virus at the eleventh hour. Miller damaged a thigh muscle as he ran on as a replacement in Durban last Saturday and aggravated the condition during training yesterday at Vanderbijlpark.

Fran Cotton was in bullish mood, however. "I think we've proved that we have *enormous* playing strength and, with so many people performing well, these setbacks should not make too much difference to the way we approach the Test," said the manager. "We always expected injuries and given that this is the most intensive itinerary ever undertaken by a major rugby nation, fitness problems at the end of such a trip were predictable."

Cotton had no hesitation in repeating his allegations of stamping against Northern Free State, but withdrew his threat to cite those he felt had transgressed. "I've viewed a video of the match and there were three or four clear instances in which a Northern Free State boot came into contact with a Lions body *for no good reason*, but there was nothing serious enough to warrant a citing," he said.

The manager did let fly at one named player, though, accusing Fritz van Heerden, the Springbok replacement forward, of splitting Tim Rodber's eyebrow with a punch in the closing stages of the *Durban* Test. "He's a lucky man," he said. "We didn't see the punch until we watched the video, by which time it was too late to cite him for violent conduct. Had we seen it happen live, we would certainly have cited him." Van Heerden is on the South African bench once again this Saturday.

Champions likely to secure wild cards

Athletics

Michael Johnson and Gail Devers are almost sure to be given the chance to defend their titles at the World Championships in Athens next month, even though they have not qualified directly.

Although the two athletes have not been picked for the American team after missing the recent US trials, the sport's governing body, the International Amateur Athletic Federation, is set to give them the go-ahead to run.

Although the IAAF general secretary, Istvan Gyulai, said yesterday that no final decision had been made about wild cards for the championships, an IAAF source was quoted as saying: "*I think you will find* that there is a majority of people in the IAAF who are in favour of this and it will be in place by Athens.

"Not all athletes and officials like the idea, but it is seen as a way of making the World Championships different from the Olympic Games. It helps top athletes who are injured and missed national trials to make the event. It basically improves the championships as a show."

Gyulai, however, refused to confirm that a majority supported the idea. "People are considering whether to allow it in principle, like they do in football and skiing, but the council has not made a decision yet," he said. "There are views that it could be in the best interests of sport to have the best possible show. But I don't know what the decision will be."

The US has strict rules on qualification for World Championships and Olympics. Only the top three in the national trials qualify for the team.

The appearance of Johnson, who has been struggling with his form in recent weeks after picking up a thigh injury, would provide a major boost to the event after he dominated last year's Atlanta Olympics.

US track and field officials have refused to change their qualification rules, but have said they would welcome the IAAF inviting 1995 world champions to defend their titles.

The IAAF council does not plan to hold a special meeting to make the decision, but council members can make their views known by post. Many nations reserve places in their teams for élite athletes to avoid problems with competitors who are out of form at the national trials, but the Americans believe they must have one clear way of picking the team.

The American world shot champion, John Godina, who finished out of the top three at the trials, the sprinter Gwen Torrence and the decathlete Dan O'Brien would also benefit from the ruling – and it could also help leading Kenyans to compete, even if they failed to perform well at the national trials. The double world 5,000 metres champion, Ismael Kirui, was one who struggled at last week's trials.

Rain comes to Whitaker's rescue

Equestrianism
GENEVIEVE MURPHY
reports from Stoneleigh

John Whitaker and Nick Skelton are the last riders in the country in need of a helping hand, but both were given the best of some dramatically changing weather yesterday when they filled the top two places in the Daewoo Grand Prix Championship Final at the Royal Show.

Whitaker, on Virtual Village Barry Bug, and Skelton, on Zalza, took four faults through to the jump-off, in which both were fast and clear. Four others had jumped clear initially and Whitaker was convinced that one or more of them would be faultless again.

But then the rains came, and Carl Edwards had four jumping and 11 time faults on Bit More Candy. John Renwick, on Noble House, and Geoff Glazzard, on Hello Oscar, also exceeded the time while making a single mistake.

Tim Stockdale, last to go on Toggi Interview, said that he could scarcely see the second jump-off fence. He, too, made one error, but he did manage to finish within the time allowed to take third place.

Montgomerie concentrates on his title

Golf
ANDREW FARRELL
reports from Druids Glen

Colin Montgomerie, so close to adding to the roll call of British sporting success of late at the US Open, says he has enough on his hands defending his Irish Open title this week to be worrying about the upcoming Open at his home course of Royal Troon.

"In the past, I have possibly thought too much about the week ahead instead of concentrating on the event I'm playing in," said Monty, who faces the challenge of Nick Faldo this week in a strong field.

But the Scot is keen to join the growing bandwagon of home success on sporting fields. "It's fantastic the success British sport is having," he said. "Winning the first Test was terrific, the British Lions have done fantastically, and having Henman and Rusedski together in the last eight is terrific. Maybe I let the side down by losing the US Open, didn't I?"

Druids Glen was set up in Montgomerie's favourite style, *a la* the US Open, last year and after recent heavy rains is again playing long and lush. "It will produce an honest day's work," said Faldo.

Hannah's manner full of promise

Richard Edmondson sees a 15-year-old British girl add to the feelgood factor

Britain's last Wimbledon singles winner was on court in SW19 yesterday and many believe the next was as well. But while Tim Henman is popularly imagined as the next champion within these shores, it could be that the real saviour was operating on the sedate lawn of court No 6.

There is a quarry somewhere in the West Country full of rusty players who once carried the banner of Britain's great white hope, yet there is genuine anticipation that Hannah Collin, a contestant yesterday in the girls' singles, can mature into a considerable force.

Collin's historical point of reference was creaking around on court No 19 yesterday, where Virginia Wade and Wendy Turnbull were locked in grey combat with Mima Jausovec and Yvonne Vermaak. It is 20 years since Virginia first proved that Dutch monoliths hold no terrors for our finest, defeating Betty Stove in three sets. She is 52 next week but the years have been most benevolent. A silver-flecked bearskin of a coiffure remains her dominant feature.

Turnbull formerly carried the sobriquet of "the rabbit", such was her spry manoeuvrability about the court. It would be unfair to say she has now transmogrified into "the tortoise", but a lot of pies have certainly disappeared. Nevertheless, as became apparent more than once yesterday, appearances can be deceptive.

The guile that helped Turnbull to nine grand slam doubles and 12 senior grand slam doubles titles has not yet fled her body, and she and Virginia won 6-3, 6-4 in an over-35s category that has become their personal preserve.

Court craft is already one of the greater attributes of Hannah Collin at the age of 15. The girl from Thames Ditton in Surrey took up the game as a seven-year-old and has progressed to the stage where she is now our national 16 and under champion.

Last year she reached the quarter-finals of the Orange Bowl, the unofficial junior world championships, and also led her nation to the world junior team final in Nagoya, Japan. Hannah will not have to look to far for inspiration this week as her coach, the former American Wightman Cup player Sharon Walsh, is also participating in the over-35s doubles.

Those who arrived at Hannah's game yesterday would have been initially staggered by the cheek of one of the ball retrieving personnel who had arrived in playing gear. This figure transpired to be Collin herself.

Our pony-tailed tyro may only be a year younger than Martina Hingis, but the temptation is still to pat on her head and ask about stamp collections or progress through the guides. She has the sort of cherubic countenance you might see looking up animatedly at the Christmas tree baubles, but these are alligator eyes lurking just below the surface. Miss Collin is a lot more than she seems.

The backhand is double-handed and consistent, but the punishing weapon is on the other flank. This armoury was all too much for the physically maturer Sarah Taylor, who had not been sent over by the Americans to collect postcards. She was dismissed 6-2, 6-2.

"I'd love to be a professional tennis player but most of all I just want to keep enjoying it," Collin said. "I want to make it as a top player but I'm not setting any targets because I know it's going to be quite tough. My life is just tennis and school at the moment. I'm missing out on some things, but I'm gaining other things being a tennis player – meetings lots of people and travelling the world."

Collin's success was a victory for nerve as she overcame a factor you do not get in senior tennis. "I lost to Sarah a couple of years ago and, when I first saw her today, the first thing I noticed was how much she'd grown," Hannah said.

Hope springs: Hannah Collin demonstrates the sort of firepower in yesterday's girls' singles that points to a bright future for the 15-year Briton Photograph: David Ashdown

YESTERDAY'S RESULTS

Men's singles
Holder: R Krajicek (Neth)

Fourth round

T HENMAN (GB) bt R KRAJICEK (Neth) 7-6 6-7 7-6 6-4

P SAMPRAS (US) bt P KORDA (Cz Rep) 6-4 6-3 6-7 6-7 6-4

Women's singles
Holder: S Graf (Ger)

Fourth round

A Kournikova (Rus) bt H Sukova (Cz Rep) 2-6 6-2 6-3

I MAJOLI (Croa) bt I SPIRLEA (Rom) 6-7 6-1 9-7

Quarter-finals

J NOVOTNA (Cz Rep) bt Y Basuki (Indo) 6-3 6-3

A Kournikova (Rus) bt I MAJOLI (Croa) 7-6 6-4

M HINGIS (Swit) bt D Chladkova (Cz Rep) 6-3 6-2

A SANCHEZ VICARIO (Sp) bt N Tauziat (Fr) 6-2 7-5

Men's doubles
Holders: M Woodforde and T Woodbridge (Aus)

Second round

T WOODBRIDGE and M WOODFORDE (Aus) bt B MacPhie (US) and G Muller (SA) 6-4 6-2

M PHILIPPOUSSIS and P RAFTER (Aus) bt H Holm and N Holm (Swe) 6-3 6-4

J ELTINGH (Neth) and P HAARHUIS (Neth) bt M Ondruska (SA) and G Stafford (SA) 6-4 6-3

Third round

J BJORKMAN (Swe) and N KULTI (Swe) bt R LEACH (US) and J STARK (US) 6-2 3-6 6-3

N BROAD (GB) and P NORVAL (SA) bt W FERREIRA (SA) and P GALBRAITH (US) 7-6(7-5) 7-6(7-4)

O JOHNSON (US) and F MONTANA (US) bt S Noteboom (Neth) and F Wibier (Neth) 6-4 6-4

W Black (Zim) and J Grabb (US) bt B Behrens (US) and C Haggard (SA) 7-5 6-1

T A WOODBRIDGE (Aus) and M WOODFORDE (Aus) bt J Knippschild (Ger) and J Tarango (US) 7-5 6-4

J ELTINGH (Neth) and P HAARHUIS (Neth) bt S Groen (Neth) and S Hirszon (Croa) 7-6 6-4

Women's doubles
Holders: H Sukova (Cz Rep) and M Hingis (Swit)

Second round

E Callens (Bel) and G Helgeson Nielsen (US) bt A Huber (Ger) and M Seles (US) 6-2 6-4

N KIJIMUTA (Japan) and N MIYAGI (Japan) bt A Kournikova (Rus) and E Likhovtseva (Rus) 4-6 6-2 7-5

Third round

S APPELMANS (Bel) and M OREMANS (Neth) bt Y BASUKI (Indo) and C VIS (Neth) 7-5 6-1

E S H Callens (Bel) and G Helgeson Nielsen (US) bt A FRAZIER (US) and K PO (US) 7-6 6-3

M J FERNANDEZ (US) and L M RAYMOND (US) bt K M ADAMS (US) and L M McNEIL (US) 6-1 7-6

L A DAVENPORT (US) and J NOVOTNA (Cz Rep) bt A FUSAI (Fr) and R GRANDE (It) 6-1 6-1

M HINGIS (Swit) and A SANCHEZ VICARIO (Sp) bt C RUBIN (US) and B SCHULTZ-McCARTHY (Neth) 7-6(14-12) 6-7(6-8) 13-11

Mixed doubles
Holders: C Suk and C Sukova (Cz Rep)

First round

G Raoux (Fr) and L Golarsa (It) bt B Talbot (SA) and D Van Roost (Bel) 6-3 7-6

A O'BRIEN (US) and C MORARIU (US) bt D MacPherson (Aus) and R McQuillan (Aus) 6-7 7-6 13-11

P ALBANO (Arg) and M PAZ (Arg) bt A Kratzmann (Aus) and K A Guse (Aus) 6-2 6-4

M Keil (US) and G Helgeson Nielsen (US) bt P Kilderry (Aus) and S Testud (Fr) 4-6 6-0 6-3

T Nijssen (Neth) and Y Basuki (Indo) bt L PIMEK (Bel) and S APPELMANS (Bel) 7-5 4-6 6-1

Second round

K Braasch (Ger) and B Rittner (Ger) bt K Jones (US) and K Kunce (Aus) 6-2 5-7 6-4

W Arthurs (Aus) and T Krizan (Sloven) bt P ALBANO (Arg) and M PAZ (Arg) 6-4 6-2

M Barnard (SA) and K Boogert (Neth) bt A O'BRIEN (US) and C MORARIU (US) 2-6 6-4 6-3

M Bhupathi (Ind) and R Hiraki (Japan) bt F Messori (It) and F Perfetti (It) 3-6 7-5 6-3

L Paes (Ind) and R Dragomir (Rom) bt M KNOWLES (Bah) and A KOURNIKOVA (Rus) walk over

K Kinnear (US) and Miss N Miyagi (Japan) bt L B JENSEN (US) and Miss K M ADAMS (US) 7-5 6-4

D ADAMS (SA) and A FUSAI (Fr) bt G Raoux (Fr) and L Golarsa (It) 6-3 6-4

G CONNELL (Can) and L A DAVENPORT (US) bt D Orsanic (Arg) and F Labat (Arg) 6-3 6-3

Men's over-35 doubles

Round-robin first round

H Guenthardt (Swit) and B Taroczy (Hun) bt M Bahrami (Iran) and P Dupre (US) 7-6 6-1

W J Fibak (Pol) and T Wilkison (US) bt P B McNamara (Aus) and P F McNamee (Aus) 6-3 6-4

A A Mayer (US) and G Mayer (US) bt M R Edmondson (Aus) and R J Frawley (Aus) 6-1 6-3

H Pfister (US) and L Shiras (US) bt C Dowdeswell (GB) and C J Mottram (GB) 6-1 6-7 10-8

J B Fitzgerald (Aus) and A Jarryd (Swe) bt A M Jarrett (GB) and J R Smith (GB) 4-6 6-1 6-2

Men's over-45 doubles

J Alexander and P Dent (Aus) bt M Cox (GB) and M Santana (Sp) 6-0 6-3

B E Gottfried (US) and T R Gullikson (US) bt R L Case (Aus) and G Masters (Aus) 6-4 6-2

Women's over-35 singles

First round

W M Turnbull (Aus) and S V Wade (GB) bt M Jausovec (Sloven) and Y Vermaak (SA) 6-3 6-4

H Mandlikova (Aus) and J C Russell (US) bt R Nideffer (SA) and S Walsh (US) 6-1 6-3

Seeded players in CAPITALS

TODAY'S ORDER OF PLAY

Centre Court
12.0 start

M HINGIS (Swit) v A Kournikova (Rus)

P SAMRAS (US) v B BECKER (Ger)

J NOVOTNA (Cz) v A SANCHEZ-VICARIO (Sp)

No 1 Court
11.0 start

G Rusedski (GB) v C Pioline (Fr)

M Stich (Ger) v T HENMAN (GB)

Court Two
11.0 start

N Kiefer (Ger) v T Woodbridge (Aus)

Seeds in CAPITALS

Tanner's sizeable service

Roscoe Tanner, a 140mph server in the 1970s and early 1980s, is convinced he would not serve any faster if he had a modern-day racket. Tanner used a metal racket and does not think that in his prime he would have served faster than Greg Rusedski and Mark Philippoussis if he had used one of their rackets.

"Serving fast is a combination of hand and racket speed," Tanner says. "But the reason they all serve so fast today is because they are so big. They are all giants of 6ft 4. I'm 6ft, which was about average when I was on tour. Now they keep growing."

□□□

Ken Rosewall gives hope to all players over 40. Rosewall is still playing at Wimbledon some 44 years after his first appearance.

He is now 62 and plays in the 45 and over doubles, but still runs around with all the enthusiasm of his youth and hits the ball with superb precision.

Rosewall likes to play at least twice a week if possible and says: "I live near John Newcombe and Tony Roche in Sydney and often knock up with them. Mark Edmondson and Brad Drewett also join us occasionally so we get some very useful practice."

□□□

For tennis huffs who want something different, Wimbledon are selling *The Ballad of Worple Road* written by Max Robertson, who from 1946-1986 reported from the Championships on BBC Radio.

Robertson's work records the history of the All England Club at its former grounds in Worple Road from 1869-1921 – all in verse.

South Africa's Christo Van Rensburg, who has been playing in the men's and mixed doubles at Wimbledon this year, has one other claim to fame – he is a bit of a magician.

"My worst moment was about 10 years ago," he says. "I was in Atlanta chatting to golfer David Frost, his wife and a few other friends and was keen to show what I could do. We were about 20 floors up on a skyscraper balcony and I asked David's wife to lend me her very expensive diamond engagement ring. I intended to make it disappear.

"Unfortunately, it dropped out of my hand before I could palm it, rolled towards the edge of the balcony railings and stopped just three inches short. I would still be paying off the insurance now if it had gone over the edge."

Court circular

Canada shuns Greg the 'traitor'

Since Greg Rusedski kindly brought it to our attention that he had not been getting the coverage his achievements deserved, the response on the back pages has been swift.

"Rusedski Rolling", "Rusedski leads the way" and "Rusedski wins battle of big guns" are just some examples of the headlines Greg's Wimbledon victories have commanded... from the British press.

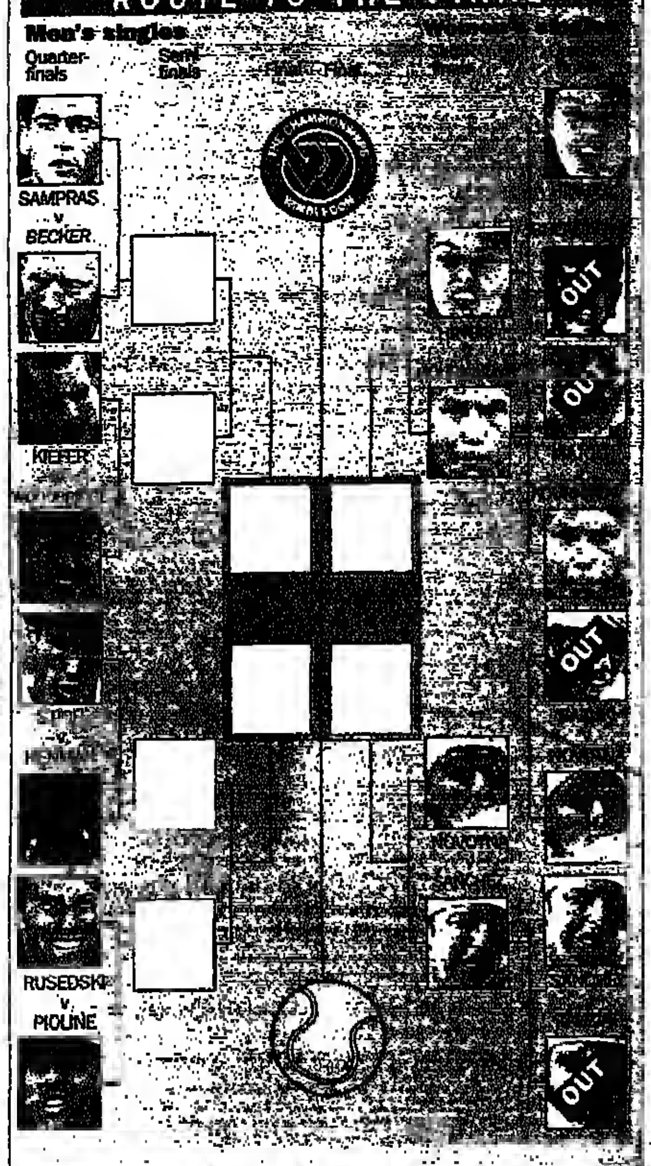
The response in Canada has not been quite so gushing. Born and raised in Montreal, the 24-year-old Rusedski chose to become a British subject in 1995 – although he held a British passport and maintained that for three years prior to his "defection" he had spent most of his free time in between tournaments in Surrey. Since the change of nationality the reaction of the Canadian press has been to shun him.

"There are a lot of people who are very bitter about him and label him as a traitor," Jacques LeBlanc, an editorial assistant at the *Toronto Star* sports desk, said yesterday. "We would probably put a small piece in the newspaper about him, but he doesn't get a lot of coverage".

When asked why their star abandoned ship, LeBlanc suggested that it was the possibility of being part of a tennis programme that enjoyed better financial support and more lucrative sponsorship deals.

Meanwhile, Rusedski has been doing his best to sound British. The British media used to make fun of his use of typically English expressions such as "brilliant", "lovely" and "lads", but he is beginning to sound more natural now. He talks about being treated by his "physio", rather than trainer and watching matches "on telly" instead of TV. He also speaks of "ground shots" rather than "ground strokes".

ROUTE TO THE FINAL



THE NUMBERS GAME

1904 The year the French player, and twice Wimbledon champion, René Lacoste, was born

44 The number of times Australia's Ken Rosewall has appeared at Wimbledon

27 The number of years since a British player has beaten the defending champion

112 The number of matches Boris Becker has won on grass during his career

29.1 The profit – in millions of pounds sterling – the All England Club made from the 1996 Championships

20 The age Nicolas Kiefer will be when he celebrates his birthday on Saturday

TODAY'S WEATHER

Cloudy with the possibility of showers Maximum temp 17C

Henry does the double

Bowls

Jeremy Henry, of Portrush, became the first man to complete the double of junior and senior singles titles at the British Championships in Worthing yesterday.

The Irishman, the junior winner two years ago, captured the main singles title with the minimum of fuss when he needed just 15 ends to wrap up a 21-6 win over Dai Wilkins.

Ireland added an unexpected second title when the Belmont trio of Paul and Brian Daly and David Hamilton staged a remarkable recovery to snatch the triples, 17-16, from Pontrhydyfen's Jonathon and John Britton and Brenig Powell.

The Welsh side led 16-7 with just five ends to play, but a count of three followed by three successive doubles saw Ireland square at 16-16 going into the last end, where they picked up a match-winning single.

However, Wales scored revenge wins over the Irish in both the junior singles and fours.

Penylan's Neil Collett powered to a 21-15 juniors win over Myles Greenfield, while in the fours the Weale brothers from Presteigne secured a 20-13 victory over the Irish champions from Whitehead.

Scotland's Alan Gilmour and Gary Mackie from the Kirkcaldy West End Club captured the pairs and ended England's last hopes of silverware when they raced to a 28-11 win over Ian Maddox and Rob Stanley from the Bankhouse Hotel Club in Worcester.

Broken mast slows Turner

Sailing

Britain's Mark Turner, with crew Fred Leclere, was last night attempting to complete the Mini Fastnet race after his yacht, Carphone Warehouse, was dismasted off south-west Ireland, **writes Stuart Alexander.**

Turner, who was lying fifth out of 20 boats, rounded the Fastnet Rock, when his mast broke, forcing him to erect a jury rig. The race is a qualifier for the Mini Transat in September for which the other British pair in the Mini Fastnet – Ellen MacArthur and Keith Willis in Le Poisson – are also hoping to qualify.

Chris Law has left himself an uphill task to qualify for the semi-finals in the Swedish Match Racing World Championships in Marstrand, Sweden.

Law was lying eighth out of 10 at the end of the first round robin. The American Ed Baird leads with a score of 7-2, followed by Sweden's Magnus Holmberg and Australia's Peter Gilmour on 6-3.

A new battle for Robinson and Rathbone

Rugby League

Wigan's chairman, Jack Robinson, and their vice chairman, Tom Rathbone, face a new fight to remain on the Central Park board.

Robinson has agreed to hold an extraordinary general meeting, likely to be in September, where it is expected shareholders will again vote upon his and Rathbone's future.

The move comes after Wigan Shareholders Action Group sent a file to the police alleging irregularities in the previous votes of no confidence faced by Robinson and Rathbone, held in May. Both directors remained in power with victories of 80 and 82 votes respectively. A police investigation is still ongoing.

Robinson said: "We have agreed to convene another EGM and are hoping that will put an end to the matter."

Meanwhile, Wigan have fined the international players Gary Connolly, Martin Hall and Craig Murdock £500 each for "raucous" behaviour on the return leg of their journey back from Australia recently. The fines are the maximum allowed by the club.

Robinson added: "They have been fined for behaviour not becoming of professional players."

Ken Jones' column will appear in tomorrow's Independent

SPORTING DIGEST

American football

Charles Haley, the only player in the National Football League to win five Super Bowl rings, will retire before the start of the Dallas Cowboys' season because of back injuries. Haley, described on Tuesday by coach Barry Switzer as "the greatest defensive rushing end in pro football", has had three back operations in four years, forcing him to miss 16 games.

Baseball

INTERLEAGUE GAMES: Montreal (NL) 2 Toronto (AL) 1; Chicago Cubs (NL) 6 Kansas City (AL) 1; Anaheim (AL) 4 Colorado (NL) 1; Oakland (AL) 8 San Diego (NL) 6; Seattle (AL) 15 San Francisco (NL) 4; Boston (AL) 9 Florida (NL) 2; Detroit (AL) 8 New York Mets (NL) 6; Baltimore (AL) 4 Philadelphia (NL) 1; Cincinnati (NL) 9 Milwaukee (AL) 1; Atlanta (NL) 3 New York Yankees (AL) 1; Pittsburgh (NL) 3 Chicago White Sox (AL) 0; Cleveland (AL) 8 Houston (NL) 6; St Louis (NL) 2 Minnesota (AL) 0; Los Angeles (NL) 6 Texas (AL) 3.

	W	L	Pct	GB
AMERICAN LEAGUE EASTERN DIVISION				
Baltimore	52	27	.658	–
NY Yankees	46	34	.575	6½
Toronto	37	41	.474	14½
Detroit	37	42	.468	15
Boston	37	44	.457	16
CENTRAL DIVISION				
Cleveland	41	35	.539	–
Chicago White Sox	40	40	.500	3
Milwaukee	37	41	.474	5
Kansas City	36	42	.462	6
Minnesota	35	45	.438	8
WESTERN DIVISION				
Seattle	48	34	.585	–
Anaheim	42	39	.519	5½
Texas	39	41	.488	8
Oakland	35	49	.417	14
NATIONAL LEAGUE EASTERN DIVISION				
Atlanta	53	29	.646	–
Florida	48	33	.593	4½
Montreal	46	35	.568	6½
New York Mets	45	36	.556	7½
Philadelphia	23	57	.288	29
CENTRAL DIVISION				
St Louis	40	41	.494	–
Houston	40	43	.482	1
Pittsburgh	38	43	.469	2
Cincinnati	35	46	.432	5
Chicago Cubs	33	49	.402	7½
WESTERN DIVISION				
San Francisco	47	35	.573	–
Colorado	43	40	.518	4½
Los Angeles	40	42	.488	7
San Diego	36	46	.439	11

Basketball

MEN'S EUROPEAN CHAMPIONSHIP: Group E (Gerona, Spain): Greece 85 Israel 82; Turkey 82 France 7; Russia 93 Lithuania 64. **Group F (Badalona):** Poland 86 Germany 76; Yugoslavia 79 Spain 70; Italy 74 Croatia 68. **Quarter-finals (Barcelona, tomorrow):** Greece v Poland; Russia v Spain; Lithuania v Yugoslavia; Turkey v Italy.

Bowls

BRITISH CHAMPIONSHIPS Finals (Worthing): Singles: J Henry (Ir) bt D Wilkins (Wal) 21-6. **Junior singles:** N Collett (Wal) bt M Greenfield (Ir) 21-15. **Pairs:** Scotland (A Gilmour and G Mackie) bt England (I Maddox and R Stanley) 28-11. **Triples:** Ireland (P Daly, B Daly and D Hamilton) bt Wales (Jonathon Britton, John Britton and B Powell) 17-16. **Fours:** Wales (B S D and R Weale) bt Ireland (M Stewart, H and M McHugh and W Keys) 20-13.

Boxing

Mark Winters, of Ulster, and Liverpool's Carl Wright will meet for the vacant British light-welterweight title on 30 August on the same bill as Robin Reid's third defence of the World Boxing Council super-middleweight title at the G-Mex Centre in Manchester. Last year Wright made an unsuccessful bid for the European title against Denmark's Soren Sondergaard but will start as the slight favourite against the Ulstarman. The title became vacant when Andy Holligan, also from Liverpool, gave up the Lonsdale Belt in pursuit of a showdown with Sondergaard.

Clay pigeon shooting

The Embassy English Open Championship title has eluded John Bidwell, the World champion, but he made a promising start on the first day of qualifying in the English sporting discipline with the highest score of 91 clays. 277 competitors shot the course on the opening day at Grimsthorpe shooting ground in Lincolnshire, yesterday and Bidwell's score has secured him a place in the second round on Sunday.

Cricket

New Zealand's advertising watchdog has banned an advertisement by Nike that features the Australian cricketer Shane Warne bowling chainsaws down a wicket. The NZ Advertising Standards Complaints Board decided in a majority vote that the ad, in which a cricket ball bowled by leg spinner Warne turns into a chainsaw and slashes through a bat and wickets, showed violence in a gratuitous and wantonly destructive manner.

Equestrianism

ROYAL SHOW (Stoneleigh, Warwickshire): Daewoo Grand Prix Championship Final: 1 Virtual Village Barry Bug (J Whitaker) 4 faults in 2 rounds, 54.85sec; 2 Virtual Village Zalza (N Skelton) 4.56.31; 3 Togg Interview (T Stockdale) 4.60.59.

Football

Cambridge United have signed the Luton Town defender Ben Chenery on a free transfer.

Peter Beagrie has joined Bradford City move from Manchester City for £200,000. However, City's Nicky Summerbee has signed a new contract to stay at Maine Road, rejecting a move to the French club Bordeaux.

Andy Johnson has completed his £2.2m move to Nottingham Forest. He had set his sights on playing in the Premiership, but turned down the chance to join Leicester and Crystal Palace and instead chose to stay in the First Division with Forest.

Ronnie O'Brien has signed for Middlesbrough on a two-year contract from the St Joseph's club of Dublin. The 18-year-old, at home in midfield or as a striker, recently scored both goals for the Republic of Ireland's youth team in a 2-0 win over England.

WORLD YOUTH CHAMPIONSHIPS (Malaysia) Semi-finals: Argentina 1 (Romeo 54) Republic of Ireland 0; Uruguay 3 (Zalayeta 12, Alves 44, Perea 104) Ghana 2 (Lawson 44, Botta og 78) *(after sudden-death extra time).*

Golf

The England Under-16 team yesterday beat their Italian counterparts 4-2 in the annual international at Radcliffe-on-Trent, Nottinghamshire, with Scott Godfrey (St Enodoc) and David Porter (West Herts) gaining two victories each. England won the morning foursomes 2-0, while the afternoon singles were shared 2-2.

Retief Goosen, of South Africa, led from start to finish in the French Open at the weekend, winning £100,000 to move up 10 places into third place on the European money list. Goosen, who has now earned £254,913 this year, pushed his compatriot Ernie Els down to fourth place on the list with £243,467. Colin Montgomerie of Scotland, who has topped the money list for the past four years, stayed in contention to win his fifth title after sharing 11th place in France. He won £10,320 and is sixth on the order of merit with £216,004.

Hockey

Jane Sixsmith, with a 66th minute goal, equalised a 32nd minute strike from Michelle Andrews to give England a 1-1 draw against Australia, the Olympic Champions, in their third game in the Korean Telecom Cup in Seoul yesterday. England today play Korea who yesterday beat Canada 3-2.

KOREAN TELECOM CUP (Seoul): Korea 3 Canada 2; Netherlands 3 Argentina 0; Australia 1 England 1. **Standings (after 8 games):** 1 Netherlands 9pts; 2 Australia 7; 3 England 4; 4 Argentina 3; 8 Korea 3; 6 Canada 0.

Pools dividends

LITTLEWOODS: Treble chance: 24pts £8,483.85, 23 £127.40, 22 £9.20, 21 £3.65. **Half-time** (21pts maximum) £1,059.30. **Four draws** £7.10. **10 homes** £4.60. **Six aways** £77.50.

VERNONS: Treble chance: 24pts £3,427.70, 23 £60.40, 22 £8.40.

ZETTERS: Treble chance (three dividends only): 24pts £552.75, 23 £9.00, 23 £0.75. **Three draws** £2.00; **Eight homes** £1.40; **Six aways** £133.20.

BRITTENS: Treble chance (three dividends only): 24pts £1,099.84, 23 £5.00, 22 £0.85. **Four draws** £14.50; **Eight homes** £0.50. **Six aways** £29.88.

Rugby Union

London Irish are set to abandon their policy of only recruiting Irish players following a £1m takeover by a consortium of leading Irish businessmen. The club's new owners have vowed to strengthen the squad from further afield – but they stressed the essential character and concept of the club would remain intact with members being given the opportunity to buy shares in the new limited company.

AUSTRALIA (v New Zealand, Bledisloe Cup, Lancaster Park, Christchurch, NZ, Saturday): S Larkham, J Roff, J Little, P Howard, B Tune, T Horan, G Gregan; T Coker, D Wilson, 8 Robinson, J Eales (capt), M Cockbain, E McKenzie, M Caputo, R Harry. **Reserves (from):** M Hardy, D Herbert, J Holbeck, S Payne, G Morgan, T Kefu, D Manu, M Foley, A Blades.

TOUR MATCH (North Carolina): USA South Representative XV 3 Wales 94.

Sports politics

The sporting future of Hong Kong will be high on the agenda today when International Olympic Committee President Juan Antonio Samaranch meets Chinese Premier Li Peng in Peking. The Chinese are thought to want Hong Kong to compete internationally as "Hong Kong, China. But many sports leaders in Honk Kong will oppose such a move.

TODAY'S FIXTURES

Speedway

PREMIER LEAGUE FOUR TEAM CHAMPIONSHIP Qualifying round: Sheffield v Hull v Skegness v Long Eaton (7.45).

Other sports

BOWLS: Men's Home International & British Championships (Worthing); Scottish Women's National Championships (Ayr).

GOLF: Murphy's Irish Open (Druids Glen, Co Wicklow); Lawrence Batley Seniors (Huddersfield); Motorola Western Open (Cog Hill).

ROWING: Henley Royal Regatta (Henley).

TENNIS: All-England Championships (Wimbledon).

TODAY'S NUMBER

6

The age of Baldomero Ballesteros, son of Seve, who won his first golf tournament this week, a nine-hole competition for 5 to 10 year-olds at Pedreña, his father's home course. Ballesteros Snr caddied for his son and the other three players in his group.

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Test of character for edgy Australia

Cricket
DEREK PRINGLE

The cordial nature of this Ashes series is beginning to sour. Australia, virtually cooped up by bad weather since the frustrations of Lord's, have objected to the size of their dressing-room, which their manager, Alan Crompton, claims is too small to house their squad. Lancashire have compromised by allowing the tourists to use one of England's changing rooms upstairs, forcing Michael Atherton's men to retreat into the already cluttered Lancashire first-team dressing-room next door.

The episode, although unlikely to break any records on the Richter scale of rows, suggests an edginess rarely displayed by the visitors since Mark Taylor assumed the captaincy.

Although it may be no more than a by-product of their rain-dogged fixture list, that this Old Trafford Test represents the half-way mark of the series, the Australians may feel – with England carefully nursing a one-match lead – that the Ashes are slowly slipping away.

However, if the extra dressing-room space was a concession from Lancashire, the visitors can expect few other favours from a club hoping to serve its familial ties with England's captain and coach.

The pitch, despite having spent most of its time under covers, has certainly been prepared to order. Over the years, Peter Marron, the groundsman here, has received both praise and vilification for his pitches. Shrewd judges will tell you that like Ron Allsopp, the now retired groundsman at Trent Bridge, Marron can prepare what he wants and that without the recent rain, this pitch would have been the slow seamer England desired.

At the moment, its well grassed surface is mottled by patches of damp and a drying crust, a combination whose uncertainty has delayed the selection of England's XI until this morning. With Phil Tufnell sent back to join his county on Wednesday, the final place will almost certainly go to either Devon Malcolm or Dean Headley who, despite fitness worries over the last week, are both raring to go.

Should Malcolm prevail, it would be the first time since the 1985/86 tour of India, captained by David Gower, that England have fielded an unchanged side in three consecutive Tests. However, all omens, not least the need for accuracy on this green pitch, point to the inclusion of Headley, whose darting nip-backers are hoped will exploit the achilles' heel of the Waughs, as well as those of Australia's left-handers.

If it does, Headley will follow father Ron and grandfather George, both of whom played for the West Indies, into Test cricket. It will be the first time three generations of a family have played at Test level, a remarkable and unique achievement, albeit one shared between two different countries.

In contrast there was no such prevarication from the Australian camp who, feeling that they are at last beginning to play combative cricket, even named their 11 before yesterday's net session. Jason Gillespie, following his brilliant bowling at Hampshire where he took eight wickets, comes in for the unlucky Michael Kasprowicz in a side otherwise unchanged from that which played at Lord's.

If the weather holds, several of the Australian players could reach milestones over the next five days. Ian Healy needs two catches to join Rod Marsh and Alan Knott in reaching a hundred Ashes victims while Mark Taylor, further restored after his second century of the summer, needs 64 runs to reach the six thousand mark in Tests.

Of course, should Shane Warne, who brought the cricket world to attention here four years ago with the "wonder ball" that bowled Mike Gatting, enjoy an exceptional match with both bat and ball, be could well pass a thousand runs as well as the 250-wicket mark.

But while the forecast, which predicts showers clearing up at the weekend, will inevitably tempt both captains to insert their opponents, history – no one has ever won a Test here by putting the opposition in – may cause them to think twice.

In any case Atherton, who knows this ground well, thinks that the pitch will be "fine" when play starts later this morning, though he thought it might "quicken up" during the game. "It does traditionally help spin," he said, "but usually when conditions have been drier."

The good news for cricket followers, however, is that both sides are aiming to win this pivotal Test. "As I've said before we aren't here to sit on a one-nil lead. If we get five days of decent weather there should be a result, particularly as Australia don't tend to draw many games."

England (from): M A Atherton (capt), M A Butcher, †A J Stewart, N Hussain, G P Thorpe, J P Crawley, M A Ealham, R D B Croft, D Gough, A R Caddick, D W Headley, A M Smith, D E Malcolm.

Australia: M A Taylor (capt), M T G Elliott, G S Blewett, M E Waugh, S R Waugh, M G Bevan, †I A Healy, S K Warne, J N Gillespie, P R Reiffel, G D McGrath.

David Lloyd (right) talks tactics with Michael Atherton yesterday Photograph: PA

Liverpool set to win the race for Ince

Football
ALAN NIXON

Liverpool look likely to beat their neighbours, Everton, in the race to sign Paul Ince from Internazionale.

The England midfielder met Liverpool's manager, Roy Evans, yesterday and apparently expressed his preference for a move to Anfield, rather than Goodison Park and in the process he also disappointed Newcastle United. Liverpool have yet to agree a fee with Inter, who had already received a £5m offer from Everton.

Derby's owner and chairman, Lionel Pickering, says it will take £7m to prise Dean Sturridge away from the Premiership club. The 23-year-old striker has shocked the Rams by handing in a written transfer request, as he wants to move on to a bigger club. Last month he broke off negotiations to extend his contract, which has two years to run, and he has been linked with a number of Premiership sides, including Arsenal and Leeds.

Derby have reluctantly accepted his request, but Pickering is determined to get top money for Sturridge. "He's one of the best young strikers around at the moment and we will be looking for a fee of around £7m," he said.

Roy Hodgson, who finally arrived to take up his role as Blackburn's manager after asking his way to Ewood Park, said he was "very close" to finalising a deal understood to be valued at £3m for the Swedish striker Martin Dahlin. Hodgson said: "Negotiations are on-going and we are close to agreeing a sum with Roma for Dahlin."

He also revealed that Blackburn are trying to sign the goalkeeper John Filan from Coventry as a replacement for Shay Given, who has moved to Newcastle.

Hodgson made a start in the transfer market before his arrival at Ewood. He has already brought in the French full-back Patrik Valery, is awaiting a work permit to finalise his acquisition of the Swiss defender Stéphane Henchoz and is close to signing the Swedish midfielder Anders Andersson.

Sheffield United have made an official approach to Queen's Park Rangers to try to talk Bruce Rioch into filling the manager's role vacated by Howard Kendall. Rioch, who is working as assistant to Stewart Houston at Loftus Road, will meet the Blades' chairman, Mike McDonald, after putting the move on hold while on holiday.

Rioch fits the bill as the type of experienced manager United are looking for. That requirement appears to rule out Chris Waddle despite his enthusiasm for the job.

Arsenal's Steve Bould is being lined up for a return to his roots with Stoke City. The long serving defender has been offered a contract by the Potteries club where he began his career before leaving for Arsenal nine years ago.

Bould will be allowed to go cheaply to help Stoke put a decent personal package together for him. He could be in line for a testimonial at Highbury if he stays, but Stoke hope he will join them soon. The managerless First Division club are also tying up the signing of the veteran Sunderland striker Paul Stewart as a replacement for Mike Sheron.

Byas' batting lifts Yorkshire gloom

MIKE CAREY
reports from Leicester
Yorkshire 149-5
v Leicestershire

For a side who have been hit harder by the weather than most, Leicestershire bowled with encouraging accuracy yesterday. No doubt it helped that Yorkshire had not held a bat in their hands for a fortnight, which certainly showed, and overall both sides made the best of another rain-hit day.

Leicestershire have lost some 1,200 overs (or 90 hours) to the weather. Another 56 disappeared yesterday and it would have been more but for the keenness of the captains to start while the run-ups were in need of ample supplies of sawdust.

But there was nothing wrong with a pitch that had been under cover, on and off, for a week or so; the quicker bowlers could get the odd ball through at a healthy pace and it came readily on to the bat, as David Byas illustrated by passing 50 from 49 balls with 10 fours.

The Yorkshire captain's crisp, well-timed strokes compensated for a series of unsurprising errors which started when Martyn Moxon played on to one slanted into him by Alan Mullally and Anthony McGrath was palpably late on a ball full length from the talented James Ormond which had him leg before.

Martin's best is too much for Middlesex

Round-up

Career-best performances by Peter Martin and Nathan Wood saw Lancashire into a strong position at the end of the first day of their match against Middlesex at Uxbridge.

Martin claimed five wickets in only seven overs at a cost of only eight runs to help reduce Middlesex to 42 for 7. Owais Shah and Jamie Hewitt put together 54 to help Middlesex reach 118 as Martin took the last three wickets with 8 for 32 in 14.5 overs.

Wood (67no) and Steve Titchard (49no) had given Lancashire the lead by the 48th over of their innings.

Strang proves Kent's saviour

DAVID LLEWELLYN
reports from Maidstone.
Kent 306 v Northamptonshire

He may have been signed for his leg-spin bowling, but Paul Strang's batting was just what Kent needed to stiffen a flabby innings at The Mote. There was a languorous air to this picturesque ground and the lethargy it generated seemed to pervade everyone and everything, batsmen and bowlers alike.

Northamptonshire's attack got caught up in the deceptively easy-paced atmosphere, which was reflected in their agonisingly slow over-rate. Tea was 40 minutes late and there was overtime for all before the close.

The mood permeated the Kent innings with the bulk of their batsmen appearing to get themselves out. It was only thanks to Strang, Nigel Llong earlier on and Ben Phillips later on that they achieved the minor miracle of picking up three batting bonus points, something which looked remote by the 10th over of the day, at which point they were flopping around like fish out of water at 31 for 3. Llong and Alan Wells stuck around for more than two hours, but stuck was the operative word.

Wells was eventually undone by a full-length delivery from Mohammad Akram, which ripped his leg and middle stumps out of the ground. Llong had reached his first championship half-century of the season when he decided to chase a wideish ball from Paul Taylor and was snapped up by Rob Bailey at second slip. Matthew Fleming fell attempting a fourth scoring stroke which would have taken him to 16, instead the ball carried as far as mid-wicket.

Enter Strang, the saviour from Zimbabwe. He put on 66 with the Kent captain Steve Marsh, taking them past 200. After an incredulous Marsh fell to a fine catch by Jeremy Snape in the deep, Strang went on to reach his third championship fifty of the season.

Phillips then took up the cudgels. He had hit his maiden first-class hundred last month, yesterday's cultured effort belied his relative inexperience at this level and underlined his potential. The 22-year-old flayed the Northamptonshire bowling in late evening sun to present a perfect lesson in batsmanship to take Kent to relative respectability.

Atletico snap up Vieri

Atletico Madrid, who seem certain to beat off the challenge of Tottenham to sign the Brazilian midfielder Juninho from Middlesbrough, have bought Christian Vieri from the Italian champions, Juventus, for about £12m.

Announcing the transfer yesterday, Juventus said they had already signed a replacement, Uruguay's Daniel Fonseca, from Roma. Juve's general manager, Luciano Moggi, did not reveal the fee for Fonseca.

Patrice Loko, the French international forward, has been ordered to pay £2,500 in damages for exposing himself and resisting arrest when be went on a drunken spree two years ago. A decision on an eight-month suspended prison sentence has been deferred on the Paris St-Germain striker, whose two goals helped to knock Liverpool out of the European Cup-Winners' Cup in April.

A court was told last week he smashed up two cars, including his own, spat in police officers' faces, urinated in a hospital corridor and demanded to be carried because his feet were "worth gold". Loko told the court he deserved to be punished.

Celtic's Italian forward, Paolo Di Canio, has ruled himself out of the club's trip to the Netherlands, after eventually arriving back in Glasgow. "Just now I don't have the physical condition to play," he said.

■ The Republic of Ireland lost 1-0 to the holders, Argentina, in the semi-finals of the World Youth Championship in Kuching, Malaysia, yesterday. Despite a battling defensive display, Bernardo Romeo pounced on a loose ball in the 55th minute to net the only goal.

CRICKET SCOREBOARD

Britannic Assurance County Championship
(First day of four: today 11.0)

Essex v Somerset
CHELMSFORD: Somerset (4pts) are 238 runs behind Essex (2) with eight first-innings wickets standing.
Somerset won toss
ESSEX – First Innings
G A Gooch c Parsons b Shine ... 4
*P J Prichard c Ecclestone b Rose ... 51
D J Robinson c and b Shine ... 78
S G Law b Kerr ... 5
R C Irani c Herzberg b Kerr ... 14
A P Grayson lbw b Rose ... 8
D R Law lbw b Rose ... 8
†R J Rollins lbw b Kerr ... 27
M C Ilott lbw b Kerr ... 0
A P Cowan not out ... 46
P M Such c Turner b Shine ... 14
Extras (b4, lb13, w8) ... 25
Total (84.4 overs) ... 280
Fall: 1-14, 2-73, 3-78, 4-122, 5-143, 6-165, 7-210, 8-210, 9-214.
Bowling: Shine 23.4-8-73-3; Rose 24-8-79-3; Kerr 23-4-83-4; Parsons 13-3-27-0; Herzberg 1-0-1-0.
SOMERSET – First Innings
*P D Bowler lbw b Ilott ... 0
P C L Holloway not out ... 10
S C Ecclestone c Gooch b Ilott ... 0
M N Lathwell not out ... 30
Extras (w2) ... 2
Total (for 2, 17 overs) ... 42
Fall: 1-0, 2-0.
To bat: M Burns, K A Parsons, †R J Turner, G D Rose, J I D Kerr, K J Shine, S Herzberg.
Bowling: Ilott 7-2-20-2; Cowan 4-1-16-0; Such 4-2-3-0; Grayson 2-0-3-0.
Umpires: R Julian and M J Kitchen.

Glamorgan v Gloucestershire
SWANSEA: Glamorgan (0pts) are 19 for 0 in their first innings against Gloucestershire (0).
Gloucestershire won toss
GLAMORGAN – First Innings
S P James not out ... 6
H Morris not out ... 10
Extras (lb1, nb2) ... 3
Total (for 0, 7 overs) ... 19
To bat: A Dale, *M P Maynard, P A Cottey, G P Butcher, †A D Shaw, Waqar Younis, S D Thomas, S L Watkin, D A Cosker.
Bowling: Lewis 4-1-9-0; Young 3-0-9-0.
GLOUCESTERSHIRE: N J Trainor, A J Wright, K P Sheeraz, M A Lynch, S Young, *M W Alleyne, †R C Russell, T H C Hancock, M C J Ball, J J Lewis, R P Davis.
Umpires: A Clarkson and A G T Whitehead.

Kent v Northamptonshire
MAIDSTONE: Kent (3pts) made 306 in their first innings against Northamptonshire (4).
Northamptonshire won toss
KENT – First Innings
D P Fulton lbw b Taylor ... 14
M J Walker c Warren b Taylor ... 6
T R Ward c Ripley b Akram ... 9
A P Wells b Akram ... 26
N J Llong c Bailey b Taylor ... 57
M V Fleming c Taylor b Curran ... 12
P A Strang c Boswell b Snape ... 55
*†S A Marsh c Snape b Akram ... 32
B J Phillips b Akram ... 47
J B D Thompson b Snape ... 11
A P Igglesden not out ... 0
Extras (b4, lb6, w3, nb24) ... 37
Total (101.3 overs) ... 306
Fall: 1-10, 2-31, 3-31, 4-125, 5-141, 6-149, 7-215, 8-248, 9-274.
Bowling: Akram 21.3-6-56-4; Taylor 26-2-95-3; Boswell 16-0-66-0; Curran 15-6-32-1; Snape 23-8-47-2.
NORTHAMPTONSHIRE: M B Loye, R J Warren, *R J Bailey, K M Curran, T C Walton, D J G Sales, †D Ripley, J N Snape, J P Taylor, M Akram, S A J Boswell.
Umpires: H D Bird and V A Holder.

Leicestershire v Yorkshire
LEICESTER: Yorkshire (0pts) are 149 for 5 in their first innings against Leicestershire (2).
Yorkshire won toss
YORKSHIRE – First Innings
M D Moxon b Mullally ... 21
A McGrath lbw b Ormond ... 28
*D Byas not out ... 66
D S Lehmann c Maddy b Wells ... 3
B Parker lbw b Wells ... 0
C White b Pierson ... 17
†R J Blakey not out ... 0
Extras (b1, lb3, nb10) ... 14
Total (for 5, 42 overs) ... 149
Fall: 1-41, 2-67, 3-86, 4-88, 5-146.
To bat: P J Hartley, C E W Silverwood, R D Stemp, R J Sidebottom.
Bowling: Millns 9-0-36-0; Mullally 15-6-44-1; Pierson 6-3-11-1; Ormond 6-2-19-1; Wells 6-0-35-2.
LEICESTERSHIRE: V J Wells, D L Maddy, I J Sutcliffe, *J J Whitaker, N C Johnson, B F Smith, †P A Nixon, D J Millns, J Ormond, A R K Pierson, A D Mullally.
Umpires: N T Plews and P Willey.

Middlesex v Lancashire
UXBRIDGE: Lancashire (4pts) are eight runs ahead of Middlesex (0) with all first-innings wickets standing.
Lancashire won toss
MIDDLESEX – First Innings
P N Weekes c Wood b Martin ... 9
J H Kallis c Fairbrother b Austin ... 14
*M R Ramprakash c Hegg b Martin ... 0
M W Gatting c Flintoff b Martin ... 0
J C Pooley c Hegg b Martin ... 1
†K R Brown c Flintoff b Martin ... 0
D A Shah lbw b Martin ... 32
R L Johnson b Austin ... 0
J P Hewitt c Titchard b Martin ... 28
A R C Fraser c Lloyd b Martin ... 7
P C R Tufnell not out ... 11
Extras (lb2, nb14) ... 16
Total (39.5 overs) ... 118
Fall: 1-18, 2-18, 3-20, 4-32, 5-38, 6-38, 7-42, 8-96, 9-101.
Bowling: Martin 14.5-4-32-8; Shadford 7-0-43-0; Austin 12-4-38-2; Keedy 5-3-5-0; Yates 1-1-0-0.
LANCASHIRE – First Innings
S P Titchard not out ... 49
N Wood not out ... 67
Extras (w2, nb8) ... 10
Total (for 0, 50.1 overs) ... 126
To bat: *N H Fairbrother, G D Lloyd, A Flintoff, I D Austin, †W K Hegg, P J Martin, G Keedy, G Yates, D J Shadford.
Bowling: Hewitt 10-3-32-0; Fraser 11-2-33-0; Tufnell 14-2-29-0; Johnson 9.1-3-24-0; Kallis 3-1-7-0; Weekes 3-2-1-0.
Umpires: J Holder and J C Balderstone.

Sussex v Worcestershire
ARUNDEL: Worcestershire (0pts) are 185 for 8 in their first innings against Sussex (3).
Worcestershire won toss
WORCESTERSHIRE – First Innings
T S Curtis lbw b Drakes ... 3
W P C Weston lbw b Drakes ... 8
G A Hick c Martin-Jenkins b Drakes ... 4
K R Spiring c Khan b Kirtley ... 36
*T M Moody c Moores b Kirtley ... 43
G R Haynes c Moores b Robinson ... 2
D A Leatherdale c Drakes b K Newell ... 34
†S J Rhodes not out ... 20
S R Lampitt b K Newell ... 5
P J Newport not out ... 14
Extras (lb10, w4, nb2) ... 16
Total (for 8, 70.4 overs) ... 185
Fall: 1-10, 2-19, 3-34, 4-102, 5-105, 6-111, 7-154, 8-168.
To bat: A Sheriyar.
Bowling: Drakes 20-8-33-3; Kirtley 18.4-8-39-2; Robinson 13-2-35-1; Martin-Jenkins 5-0-25-0; Khan 5-1-24-0; K Newell 11-4-19-2.
SUSSEX: C W J Athey, M T E Peirce, N R Taylor, K Newell, M Newell, R S C Martin-Jenkins, *†P Moores, V C Drakes, A A Khan, M A Robinson, R J Kirtley.
Umpires: A A Jones and R Palmer.

Warwickshire v Surrey
EDGBASTON: Surrey (0pts) are 157 for 6 in their first innings against Warwickshire (2).
Warwickshire won toss
SURREY – First Innings
J D Ratcliffe lbw b Welch ... 9
G J Kennis b Welch ... 16
I J Ward c Frost b Donald ... 18
*A J Hollioake lbw b Brown ... 31
A D Brown c Ostler b Donald ... 46
C C Lewis c Hemp b Welch ... 9
†J A Knott not out ... 2
M P Bicknell not out ... 11
Extras (b4, lb3, nb8) ... 15
Total (for 6, 50 overs) ... 157
Fall: 1-25, 2-26, 3-51, 4-95, 5-144, 6-144.
To bat: A J Tudor, I D K Salisbury, Saqlain Mushtaq.
Bowling: Donald 14-3-48-2; Welch 20-9-44-3; Giles 2-0-8-0; Brown 13-6-40-1; Smith 1-0-10-0.
WARWICKSHIRE: A J Moles, *N V Knight, D L Hemp, D P Ostler, T L Penney, D R Brown, N M K Smith, †T Frost, G Welch, A F Giles, A A Donald.
Umpires: D J Constant and K E Palmer.

NO PLAY YESTERDAY: Chester-le-Street: Durham v Hampshire.

Tourist Match
(First day of three; today 11.0)

Nottinghamshire v Pakistan A
TRENT BRIDGE: Nottinghamshire are 298 for 9 in their first innings
Pakistan A Won Toss
NOTTINGHAMSHIRE – First Innings
P R Pollard c Javed Qadeer b Shoaib Akhtar ... 10
*R T Robinson c Javed Qadeer b Abdul Razzak ... 18
G F Archer c Javed Qadeer b Azhar Mahmood ... 81
A A Metcalfe c Ali Naqvi b Shoaib Akhtar ... 39
M P Dowman c Javed Qadeer b Azhar Mahmood ... 3
U Afzaal c Muhammad Waseem b Shoaib Akhtar ... 17
C M Tolley lbw b Abdul Razzak ... 2
†L N P Walker lbw b Shoaib Akhtar ... 34
R T Bates c Javed Qadeer b Azhar Mahmood ... 13
P J Franks not out ... 29
M N Bowen not out ... 0
Extras (b2, lb4, nb46) ... 52
Total (for 9, 74.1 overs) ... 298
Fall: 1-23, 2-59, 3-155, 4-164, 5-193, 6-202, 7-237, 8-256, 9-279.
Bowling: Abdul Razzak 18.1-3-80-2; Shoaib Akhtar 15-2-71-4; Azhar Mahmood 26-5-69-3; Shoaib Malik 14-1-61-0; Mujahid Jamshed 1-0-11-0.
PAKISTAN A: Saleem Elahi, Ali Naqvi, *Muhammad Waseem, Mujahid Jamshed, Hassan Raza, Shoaib Malik, Rana Qayyum, †Javed Qadeer, Azhar Mahmood, Shoaib Akhtar, Abdul Razzak.
Umpires: B Dudleston and N G Cowley.

Other Match
(First day of three; today 11.0)

Cambridge University v Oxford University
LORD'S: Oxford University are 328 runs behind Cambridge University with nine first-innings wickets standing.
Cambridge University won toss
CAMBRIDGE UNIVERSITY – First Innings
J Ratledge lbw b Battarbee ... 19
E T Smith c Morgan b Patel ... 14
*A Singh c Battarbee b Patel ... 91
R O Jones c and b Patel ... 58
W J House lbw b Patel ... 94
Q J Hughes lbw b Patel ... 4
†D R H Churton c Hudson b Battarbee ... 44
P S Jones not out ... 5
A N Janisch c Morgan b Patel ... 4
Extras (b2, lb11, w8, nb41) ... 25
Total (for 8 dec, 80 overs) ... 358
Fall: 1-30, 2-48, 3-186, 4-217, 5-223, 6-351, 7-353, 8-358.
Did not bat: J W O Freeth, E J How.
Bowling: Averis 18-1-88-0; Patel 23-3-110-6; Battarbee 18-4-56-2; Wagh 21-3-69-0; Hudson 2-0-22-0.
OXFORD UNIVERSITY – First Innings
C G R Lightfoot c Churton b How ... 8
J W Byrne not out ... 10
†A P Scrini not out ... 3
Extras (lb1, w8) ... 9
Total (for 1, 15 overs) ... 30
Fall: 1-25.
To bat: *M A Wagh, P G Morgan, J A G Fulton, R D Hudson, C Patel, J M M Averis, L G Buchanan, C M Battarbee.
Bowling: P S Jones 8-2-16-0; How 7-3-13-1.
Umpires: B Leadbeater and D R Shepherd.

SECOND XI CHAMPIONSHIP (First day of three; today 11.0): Taunton: Somerset 134 for 0 (S Trego 77no) v Glamorgan. Luton: Kent 358 (T N Wren 83); Northants 12 for 0. Todmorden: Durham 193 (G J Batty 6-49); Yorkshire 91 for 1. No play: Worksop: Nottinghamshire v Essex. (Second day of four; today 11.0):

MINOR COUNTIES CHAMPIONSHIP (Second day of two): Jesmond: No play. Northumberland (5pts) drew with Suffolk (5). Toft: Cheshire 206 (J D Bean 79, J G Wyatt 5-25); Devon 73 for 2. Cheshire (5pts) drew with Devon (5). (First day of two; today 11.0): Cannock: Cambridgeshire 103 for 6 (A Richardson 4-40) v Staffordshire.

Starting today
Third Cornhill Insurance Test Match
(First day of five, including Sunday; 11.0)
OLD TRAFFORD: England v Australia.

Nottingham early to rise

Rowing
HUGH MATHESON
reports from Henley

It did not take long for the Henley Royal Regatta to burst into life on its opening day yesterday. The first race at 8.30am produced a thriller between Bedford and Nottingham, with Nottingham taking the narrowest verdict of the day crossing the line just two feet ahead of their provincial rivals.

The gusting headwind which persisted throughout the programme made the race times slow and led to some erratic steering, with several crews hitting the side booms before they were able to hit a racing stride.

Peter Haining, the three-times world champion in the lightweight singles scull, had been determined to race at Henley despite his poor early season, and was the most distinguished competitor not to be given a bye through the first day. He was drawn against Derek Atkins, of Nottingham & Union, who has been sculling for less than a year. At the quarter-mile the scullers were level and by the barrier Haining had gained only three feet before he asserted his skills and drew away to win with ease. "It was my first side-by-side race and I did not have the experience to cope," Atkins said. "It was a marvellous chance to learn and I enjoyed it."

West Point, the US military academy, arrived unscathed from infantry training at various points around the globe for their first visit to Henley, and felt "just privileged to be here". But less than half a mile into their first race in the Britannia Cup for coxed fours, the gate which holds the blade into the oarlock flew open and the No 3 man, Raymond Butts, found himself without the only acceptable means of propulsion. The crew stopped and replaced the missing blade, but by then their opponents, Imperial College, were well clear.

Another American crew, St Andrew's School, Delaware, had travelled to within 100 yards of the finish of their heat of the Princess Elizabeth Cup when the stroke, Simon Saddleton, caught a crab which led quickly to another, and within seconds the crew had slewed across the course and into the wooden booms at the side, allowing Canford School to row through to win comfortably.

Villeneuve set to move

Motor racing

Jacques Villeneuve is believed to be set to leave Williams-Renault and race for his own grand prix team in 1999.

Villeneuve, who is currently lying second in the drivers' championship behind Michael Schumacher, has been linked to a proposed Formula One team to be created by British constructor Reynard and British-American Tobacco. Villeneuve has also been reported as taking a shareholding in the team.

Villeneuve won the Indianapolis 500 and the Indy Car World Series drivers' title, driving a Reynard car in 1995 and he and his manager, Craig Pollock, have maintained a relationship with the constructor. A five-year deal between the two worth £175m has been agreed, according to press reports.

Villeneuve is in the second year of his contract with Williams and it is understood that Williams have exercised their option on his services for 1998, but have yet to reach final agreement on the details.

It was also reported that the new team, BA Team Reynard, had agreed a two-year deal with the French engine-tuners Mecachrome for a supply of ex-Renault V10 engines.

Rick Gorne, the Reynard managing director, admitted his company have been in discussions with BAT, although nothing has been finalised. "At the moment, the official line is that we are just one of many companies being considered by BAT, if they decide to pursue a F1 venture," Gorne said.

"We would definitely consider entering F1, but only if we have all the right pieces in place, including the budget, drivers, engine and tyre package."

The reports also suggested that the new team would attempt to buy Minardi at the end of this year in order to participate immediately in the sport.

Any purchase of an existing team would need the support of all the other signatories to the Concorde Agreement if they were to become a signatory and beneficiary of guaranteed income from television rights.

Reynard have attempted to enter F1 before. Adrian Reynard, the team owner, launched a project in the late 1980s, but abandoned the programme because of its cost in 1991 after 18 months' work.

HENLEY RESULTS

Thames Cup first round: Nottingham & Union bt Bedford 2ft, 7min 03sec; Thames Tradesmen's bt Moseley 1¾ lengths, 7:08 Vesta bt Agecroft ¾, 6:55; Garda Siochana bt Upper Thames B 3, 7:05; Castle Semple bt Bewl Bridge 4, 7:02; St Catharines bt Stanford 1¾, 6:58; Furnivall Sculling Club bt Mitsubishi ½, 7:10; Thames Tradesmen's A bt Auriol Kensington 4¾, 7:02; Upper Thames A bt Reading 1⅔, 6:47; Neptune bt York City 3¼, 7:12; Essen-Kupferdreh bt Walton 1¼, 7:25; Nottingham BC A bt Sydney by 2¼, 6:53; London bt Angaria Hannover 2¼, 6:56; Wiking Berlin bt Monmouth 4¼, 7:04; Tideway Scullers School bt Defence Forces RA ⅔, 7:01.

Temple Cup first round: Cherwell BC bt Bath University Easily, 7:28; Durham University B bt Nephthys BC B 1¾, 7:25; University of Bristol bt University of Wales College Cardiff 2¾, 7:11; Brasenose & St Edmund Hall bt Exeter University 3⅓, 7:08; Reading University bt Southampton University easily, 7:05; New College Oxford bt Exeter & Pembroke ⅓, 7:08; Durham University A bt Somerville College Oxford easily, 7:12; Queen's University Belfast bt First & Third Trinity BC, Cambridge ⅔, 7:10; University College Dublin bt Queens & Robinson by 4½, 7:25; Jesus College Cambridge bt Newcastle University by 4, 7:27; Queen's College Oxford bt Hautes Etudes Commerciales (Fr) 2¼, 7:25; Eton College bt Nottingham Trent University 3, 7:14; Cambridge University Lightweight RC bt Pembroke College Cambridge easily, 7:23.

Princess Elizabeth Cup first round: Pangbourne College bt Shrewsbury School B 1⅔, 7:12; St Pauls School bt Abingdon School B 3¾, 7:21; Eton College bt Oratory School 2, 7:20; Hampton School A bt Monkton Combe School 4⅓, 7:18; Brooks School bt Hampton School B ⅔, 7:05; Shrewsbury School A bt Radley College B 4, 7:08; Radley College A bt Cheltenham College 1⅔, 7:10; Abingdon A bt King's School Chester by ¾, 7:08; St Edward's School bt Bedford School A 1, 7:13; Canford School bt St Andrew's School not rowed out, 7:20; Oundle School bt King's School Canterbury 1½, 7:25; Bedford School B bt Bedford Modern School A 1¼, 7:44; Westminster School bt King's College School easily, 7:33.

Wyfold Cup first round: Tideway Scullers School bt Weybridge RC Easily, 7:47; Worcester bt London 1¼, 7:20; University of London Tyrian B bt Cambridge 99 2¾, 7:58; Queens Tower BC bt National Westminster Bank 2, 7:50; Quintin BC bt Thames 2½, 8:11; Commercial bt Kingston B easily, 7:32; Twickenham bt Broxbourne 3, 7:40; University of London Tyrian A by Cygnet 4, 7:56; Clyde Amateur bt Staines 4½, 7:52; Sydney bt Kingston A canvas, 7:42; Nottingham bt Molesey B by 3¼, 7:55.

Diamond Sculls: G C S Smith bt R M Rogers easily, 8:51; P A Hone bt A Van Den Broek 3½, 8:40; O Griffiths bt R O Allen 5, 9:00; S D Spriggs bt R Ayliffe 2¾, 8:39; S Colbert P Cobbett easily, 8:41; P M Haining bt D Atkins 1, 8:40; G Monninckendam bt N P Gardam easily, 8:52; U Meyer bt A E Gaylard easily, 9:19.

Britannia Cup first round: University of London bt Bentham easily, 7:38; Staines bt Thames A 2½, 8:08; Thames B bt Northwestern University 2½, 8:00; Cambridge 99 bt Marlow 2¾, 7:51; Strathclyde University bt University of Minnesota B 4½, 7:39; Molesey bt London 1¼, 7:43; University of Minnesota A bt Royal Chester 1¾, 7:40; Imperial College, London B bt United States Military Academy nro, 8:12; Trinity College, Dublin bt Edinburgh University by 2¼, 7:47; Hansa Hamburg bt Durham University easily, 7:44; St Andrew bt New Orleans by 1½, 7:59.

Britain's hit girl
The 15-year-old with a bright future, page 30

sport

Aussies get serious
Derek Pringle previews the Ashes third Test, page 31

WIMBLEDON 97: Britain's No 1 beats defending champion to join Rusedski in last eight in best British men's performance for 26 years

Henman has his eyes on place in history

JOHN ROBERTS
reports from Wimbledon

British tennis triumphs have been written about historically for so long that it is hardly surprising that they are now heing chronicled hysterically.

Two home players have emerged who are capable of lifting the men's singles trophy, the nation's fervent hope heing that one is only defeated by the other.

Tim Henman, from Oxford, joined the Montreal-born Greg Rusedski in the quarter-finals yesterday, eliminating Richard Krajicek, the defending champion, in the process of becoming the only surviving seed in the lower half of the draw.

The dry-throated possibility is that Henman and Rusedski will advance to play each other in the semi-finals, one of them becoming the first men's finalist to represent the host country since Bunny Austin was in short trousers in 1938.

Dare we even imagine that a British name is about to be written in gold leaf on the honours board 61 years after Fred Perry? Best take each surprise as it comes.

For the first all-British semi-final since Randolpb Lycett defeated Brian Gilbert in 1922 to materialise, Henman, the No 14 seed, must overcome the unseeded, but never to be underrated, Michael Stich, of Germany, and Rusedski's mighty serve will have to disabuse the talented Frenchman, Cedric Pioline.

The only certainty, unless the weather causes a rethink, is that neither of those matches will be played on the Centre Court. The matters of immediate national concern will be resolved on the new No 1 Court.

On Centre Court, Pete Sampras, the American world No 1, will renew his eight-year rivalry with Germany's Boris Becker, a fellow three-times champion.

Heroic moment: Britain's Tim Henman enjoys his moment of triumph after beating the defending champion Richard Krajicek in four sets at Wimbledon yesterday Photograph: David Ashdown

The Sampras-Becker confrontation, described by the other competitors as the match of the round, if not the championships, has been scheduled between the two women's semi-finals.

"There is no way with the six matches that we have to play in the singles tomorrow that we could please everyone," said Alan Mills, the tournament referee, whose weather eye watered like a tap towards the end of the opening week.

"I think I bave done my best to be fair to everyone," Mills added, "bearing in mind that the weather forecast for tomorrow is not good, and the fact that all the men have to come back the following day.

"We will endeavour to put them all on as early as possible on show courts big enough to take their matches. The ladies semi-finals deserve to be on Centre Court, so that means there is only room for one other singles match there. We want to give all the men a chance to play and finish."

Rusedski, who played his opening match against Mark Philippoussis on Centre Court, has since made No 1 Court his home base. Henman, having opening No 1 Court with bis match against Daniel Nestor, has spent the rest of his time on Centre Court. Today's Henmania will simply transfer to another coop.

Yesterday's Centre Court spectators gave full throat to their appreciation of Henman's fourishing finish to the victory against Krajicek, which was

YESTERDAY AT WIMBLEDON

three-quarters completed on Tuesday night.

Once Henman had broken to love for 3-2 in the fourth set, he experienced only one tricky moment, saving a break point with a service winner to bold for 5-3, and serving out to love two games later to win, 7-6, 6-7, 7-6, 6-4.

"For the sustained quality of tennis, this is some of the best I've ever played," Henman said.

Krajicek was not inclined to disagree, although the Dutchman did express disappointment with his own performance. "I didn't play well today," he said. "I played even worse than yesterday."

He admitted he had wanted the match suspended overnight as soon as be broke Henman in the third set. "It was not perfect light any more, so I asked for the referee to come out. But it's a long way, you know, to go from the referee's office, because it took him seven games to come down. It didn't matter, it's just the way it is."

Krajicek bad no complaints concerning the crowd's partisanship. "It was unbelievably loud, of course, but what I liked about this crowd was that when you start playing you don't hear a sound. You have a lot of annoying crowds, especially in the [United] States where they just keep on talking and shouting the whole time.

"This crowd is maybe noisier than every other crowd that I ever met, but as soon as the point starts you can hear a pin drop." Or a defending champion.

George Bush was in the Royal Box, although there was greater need of the former US President's support on No 1 Court, where Sampras was struggling to rid bimself of the Czech, Petr Korda.

The American had two match points in a third set tie hreak but was taken to a fifth set, eventually winning, 6-4, 6-3, 6-7, 6-4. "I think he used a lot of energy today," Korda said. "I don't know if he's going to miss that tomorrow."

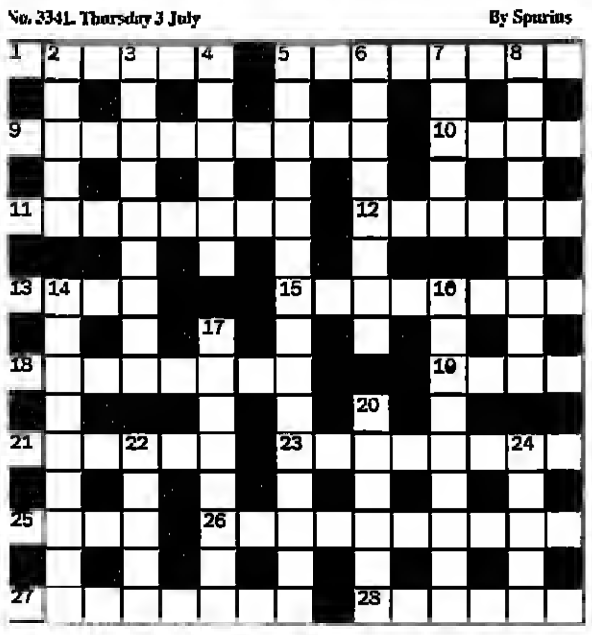
1961 and all that

The last time two British men made the Wimbledon quarter-finals was in 1961. Bobby Wilson was beaten by America's Chuck McKinley, who also put out Mike Sangster in the semis before losing in the final to Rod Laver. The women's final that year was an all-British affair, Angela Mortimer beatng Christine Truman.

Elsewhere...
British troops were in Kuwait to avert the threat of an invasion by Iraq...
Ernest Hemingway had just been found shot in the head by his own 12-bore shotgun...
And Del Shannon was at No 1 with "Runaway"...

THE INDEPENDENT CROSSWORD

No. 3341. Thursday 3 July — By Spurius



Wednesday's solution

D	I	S	M	A	Y		A	B	R	A	S	I	O	N
O		T		S		A		L		U		D		A
G	L	I	S	S	A	N	D	O		G	R	I	M	M
W		L		U		I		C		E		D		I
A	T	T	I	R	E	D		K	E	R	A	T	I	N
T		O		A		E		A				I		G
C	A	N	O	N		A	N	N	O	U	N	C	E	
H				C		L		D		N				P
	S	O	M	E	W	H	A	T		D	R	A	C	O
A		C				U		A		I		M		L
B	O	T	T	L	E	S		C	A	L	I	B	R	E
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S	E	P	I	A		A	L	L	O	T	M	E	N	T
E		U		V		N		E		E		N		A
S	U	S	P	E	N	D	S		E	D	I	T	O	R

ACROSS
1 Arrangements for containment of dispute set back? (3-3)
5 Missing handle? That's unheard-of (8)
9 Original agency propose putting out old-fashioned text-book (5, 5)
10 Nation following start of remembrance service (4)
11 Thriller writer about to meet trainer (8)
12 Hate being poorly accommodated in a hotel (6)
13 Fellow able to pull back from quarrel (4)
15 Belt designed for use in RUC etc (8)
18 Weapon that's literally about to be used in a fight (8)
19 Mark showing initial reduction – here's a different currency (4)
21 Blair as he was in 1984? (6)
23 Heartlessly carries on fouling up predicted series of events (8)
25 Mountain, very big, with an attractive quality (4)
26 Able to catch stale smell associated with tropical starling – it's awful (10)
27 Operational research entrusted to assistant editor? That's classified (8)
28 Dull man associates with respectable married woman (6)

DOWN
2 Where you'll see world's attention on Thursday (5)
3 Careless, showing a Frencb film with lots of nude coupling (9)
4 Group questioned by pollsters is small enough (6)
5 Proud boast of happy couple, not for the likes of us? (5,1,5,4)
6 Stoker turned over fisb to reveal veined appearance (8)
7 Grub found in cellar vault (5)
8 Sweetener for disposing of car, in cash (9)
14 Diverts money produced by investment with Society (9)
16 Change of direction in stratagem for dealing with Xanthippe? (9)
17 Resolute person volunteers to participate in raising of nets (8)
20 He sometimes fills envelopes (6)
22 Seeking inspiration, a lot of hooks are turned up (5)
24 House with low doorway decapitated big John (5)

In yesterday's crossword the clue for 7 down should have cited 'Macbeth' not 'Hamlet'. Aquila and the crossword editor apologise for this idiotic slip.

Kournikova's class dazzles Centre Court

GUY HODGSON

A funny thing happened on Centre Court yesterday. Attention was dragged kicking and screaming from Anna Kournikova's much-pbotographed figure and focused instead on her tennis. Seeds have come and gone during Wimbledon 1997 but surprises do not get much bigger than that.

The unseeded girl who has launcbed a tbousand clicks made it to the semi-finals, beating the fourtb seed, Iva Majoli, 7-6, 6-4, and will now have to be taken seriously as a player as well as a clothes horse. For pretty, read pretty good. "I feel unbelievable right now," she said. "I'm very happy."

Kournikova had never played Majoli competively before although if sbe had ever looked in the mirror she would have had a rough idea what to expect. Double backhand, a wallop of a forehand, they could have come from the same pod, which in a sense they are: the Nick Bolletieri camp in Florida. The only difference is the grunt that came from Majoli's side of the net although, given the way these women crash their strokes, it could have been the ball groaning.

They had nearly identical styles, the difference was imagination. Majoli hardly ever strayed from her security blanket that the rest of us call the baseline but Kournikova was

Russia's Anna Kournikova serves up victory yesterday Photograph: David Ashdown

prepared to adapt. Services were broken like reeds but the Russian could come to the net if the situation demanded, her opponent was rooted.

Majoli, 19, was serving for the first set at 5-3, hlew it and never regained ber early momentum. So, instead of experience prevailing, it was the 16-year-old Russian playing in her first grand slam quarter-final.

"Anna played better," the French Open champion said. "I gave her a chance to play and on grass the one who is attacking usually wins. She was taking chances and playing very risky. Some days those flat balls go in, sometimes they don't."

Jana Novotna knows that better than most as she has faced 16 grand slam quarter-finals and nearly every one has been a contest with herself as much as her opponent. Yesterday sbe was expected to beat Indonesia's Yayuk Basuki, which is often a cue for a scare, but to confound us all, the Czech sailed serenely through 6-3, 6-3. From 3-2 in the first set she lost only seven points on her serve.

Maybe her physical frailty gave her inward strength because she complained of sore knees after beating Mary Joe Fernandez on Tuesday evening and a weary arm yesterday. "My thighs and knees felt a little better," she said, "but my arm is getting heavier and heavier because of that long match yesterday." Her string man is suffering from sore limbs, too, after loosening the tension on her rackets by three kilos to compensate for the beavy balls and atmosphere.

Novotna now meets Arantxa Sanchez-Vicario, who defeated Nathalie Tauziat 6-2, 7-5. It will be a contest between the winners of the women's doubles title two years ago but not necessarily a meeting of minds because they split in less than perfect harmony earlier this year. "I have no problem with her at all," Novotna said. "We shall see today.

Martina Hingis regards Denisa Chladkova as a friend, which makes you wonder how she treats her enemies. Yesterday the No 1 seed chased ber childhood playing partner out of the women's singles, beating her 6-3, 6-2 in 59 minutes.

Her meeting with Kournikova today will be a hattle of the 16-year-olds and possibly a harbinger of many contests to come. "Until now I've beaten her pretty easily," Hingis said.

Until now.

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